

AKSigorta



2016 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 self-
doubts, 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

CONTENTS

CORPORATE PROFILE

- 04 Agenda for the Annual General Meeting
- 05 Corporate Profile
- 06 Financial Highlights
- 07 Vision, Mission and Values
- 08 Our Strategies and Customer Relations Policy
- 10 An Adventure that Dates Back to 1960
- 14 Awards & Achievements
- 15 Aksigorta Partnership Structure
- 16 Management's Assessment
- 18 The Economy and the Sector in 2016
- 22 Assessment of Aksigorta's Operations in 2016
- 23 Main Developments in 2016
- 26 Human Resources at Aksigorta

SUSTAINABILITY

- 28 Social Responsibility
- 29 The Environment

CORPORATE GOVERNANCE

- 32 Board of Directors
- 35 Board of Auditors
- 35 Corporate Governance Committee
- 36 Executive Board
- 39 Corporate Governance Principles Report

FINANCIAL INFORMATION AND RISK MANAGEMENT

- 50 Information about Transactions the Company Enters into with Members of Its Own Risk Group
- 51 Financial Information and Risk Management
- 60 Summary Financial Indicators
- 60 Quality
- 61 Risk Management and Internal Control System
- 66 Internal Audit Activities
- 67 Dividend Policy
- 68 Independent Auditor's Report on the Annual Report of the Board of Directors
- 69 Independent Auditor's Report

Contact





EASY,
UNDERSTANDABLE,
ACCESSIBLE
INSURANCE

AGENDA FOR THE ANNUAL GENERAL MEETING

AKSİGORTA ANONİM ŞİRKETİ BOARD OF DIRECTORS RESOLUTION

DATE OF MEETING: 20.02.2017

NUMBER DECISION: 11

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Barry Duncan SMITH
- Hayri ÇULHACI
- Meral KURDAŞ
- 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 2016

RESOLUTION

It has been decided that the Ordinary General Assembly Meeting of the Company for 2016 to convene on March 21, 2017 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 2016,
3. Reading of the summary of Auditors' Reports for 2016,
4. Review and approval of Financial Statements for 2016,
5. Determination of the use of Profit for the year 2016,
6. Release of the Board of Directors regarding their activities in 2016,
7. Approval of the member of the Board who is appointed by the Board of Directors for the vacant membership for the remaining duty period,
8. Election of the Auditors for the Financial Statements of the year 2017 in accordance with the Turkish Commercial code numbered 6102 and Capital Markets Law numbered 6362 and Insurance legislation.
9. Informing the General Assembly regarding the Donations made in 2016,
10. Determination of donation limits of the company for the year 2017,
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
Barry Duncan SMITH

Board Member
Hayri ÇULHACI

Board Member
Meral KURDAŞ

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

Taking firm steps forward, Aksigorta is a brand that is constantly developing to achieve the best.



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 16 regional directorates, approximately 2,000 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 2016 unconsolidated financial statements, Aksigorta's asset volume reached TL 2.056 million.

FINANCIAL HIGHLIGHTS

Aksigorta provides service to individual and corporate clients through 16 regional directorates, nearly 2,500 independent agencies and approximately 900 Akbank branches, 69 brokers and 3,500 contracted institutions.

FINANCIAL INDICATORS (TL MILLION)	2015	2016
Gross Written Premiums	1,622	1,896
Incurred Claims	1,032	724
Technical Results	-149	123
Profit Before Tax	-136	48
Net Income	-136	48
Paid in Capital	306	306
Shareholders' Equity	349	403
Total Assets	1,880	2,056
CAPITAL SOLVENCY RATIOS	2015	2016
Gross Written Premiums / Shareholders' Equity	465%	471%
Shareholders' Equity / Total Assets	19%	20%
Solvency Ratio	112%	111%
OPERATIONAL RATIOS (NON LIFE)	2015	2016
Retention Ratio	68%	62%
Retention Ratio	89%	67%
Combined Ratio (Net)	122%	99%
PROFITABILITY RATIOS	2015	2016
Technical Results / Gross Written Premiums	-9%	6%
Profit Before Tax / Gross Written Premiums	-8%	3%
Net Income / Gross Written Premiums	-8%	3%
Return On Equity (ROE)	-32%	13%

VISION, MISSION AND VALUES

Aksigorta utilizes its experience and knowledge to provide the optimal solutions to its customers and ensure that they have a positive experience and, together with their families, look to the future with confidence.



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 the most 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

Having revamped its corporate identity in 2016, Aksigorta acts in accordance with the motto “Think well, live well”.

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 190 years. Ranked among the top 20 insurance companies in Europe, Ageas 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 and 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 2016

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, İstanbul, 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.

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.

AWARDS AND ACHIEVEMENTS

Aksigorta reviewed its business models with a focus on delivering positive customer experiences. In 2016, the Company again distinguished itself in terms of customer satisfaction.



The Sabancı Golden Collar Awards are aimed at recognizing the achievements of Sabancı Group companies and employees, and encouraging mutual sharing of best practices. Held in 2016, the 7th edition of the Sabancı Golden Collar Awards included a new category - “Digitalization” - which in today’s world creates a significant competitive advantage across all industries. Aksigorta won the first prize in the “Digitalization” category, and third prize in the corporate subcategory of “Market Orientation”, continuing its successful track record within the Sabancı Golden Collar Awards program.

Aksigorta increases its technology investments every year, and the Company won several technology awards in 2016. With its “Claims Fraud Management” project, Aksigorta attained second prize in the category of “Security & Fraud Management” at the Finance Technology Conference, organized by IDC Turkey on October 20, 2016. The Company also won second prize with its “CEO Cockpit Mobile Corporate Performance Management” application in the “Big Data & Analytics” category.

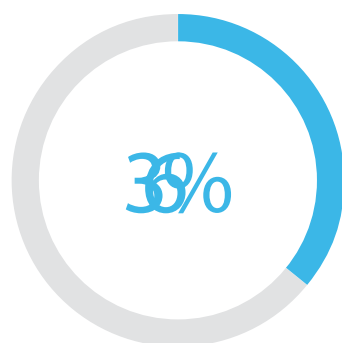
Aksigorta continues to introduce technological innovations in the industry. Accordingly, the Company was recognized for its innovative products, “Instant MOD Insurance on Facebook” and “Quick MOD Insurance Quote via Turkcell BiP Application”, in the “Information Technology Cost Efficiency” category at the IDC Turkey CIO Summit, which took place on April 6-8, 2016.

With a history spanning 55 years in the insurance industry, and 700 employees, Aksigorta conducts a scrupulous recruitment process. At the 15th edition of the Respect for Humans Awards, organized by Kariyer.net, Aksigorta was recognized with the “Respect for Humans” award, as the insurance company that has created the most jobs and received the highest number of applications.

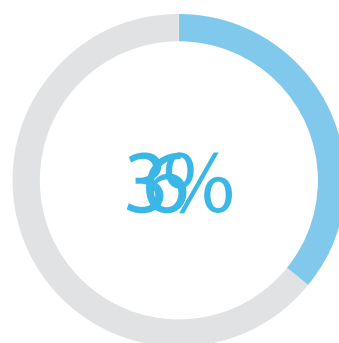
Aksigorta reviewed its business models with a focus on delivering positive customer experiences and, in 2016, the Company again distinguished itself in terms of customer satisfaction. As a result, Aksigorta was named the best company in terms of customer experience management in the Elementary Insurance category at the “A.L.F.A. Awards”, organized by Marketing Türkiye magazine and sikayetvar.com to recognize the national and international brands offering the best customer experience. According to data from the A.L.F.A. Awards Customer Experience Index, with research methodology developed by Method Research Company, Aksigorta has maintained its leadership position for the last three years.

AKSIGORTA PARTNERSHIP STRUCTURE

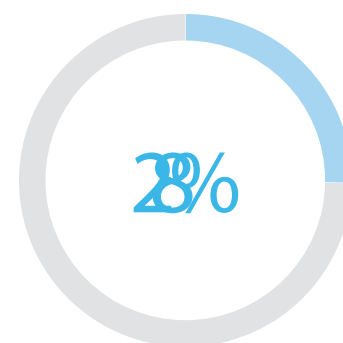
H.Ö. SABANCI HOLDİNG



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.

Neither Board members nor senior executives hold any stake in the Company.

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

MANAGEMENT'S ASSESSMENT

Deriving strength from its solid ownership structure and innovative management style, Aksigorta recorded a premium production of TL 1.896 million in 2016, and thus continued to add value to its shareholders' savings.

Esteemed Shareholders,

While developed economies experienced moderate recovery in 2016, the world economy grew 3.1%, performing below projections. Brexit (the referendum whereby British citizens voted to exit the European Union), China's economic slowdown, and political turmoil in the Middle East are some of the factors expected to affect global economic growth in the coming period. Meanwhile, Turkey - one of the few developing countries that has managed to maintain steady growth - recorded 3% growth in 2016, remaining far below its potential. Despite the negative impacts of an attempted coup, Turkey adhered to its monetary policy, and maintained its reputable standing among local and international investors, thanks to its strong growth potential and macroeconomic discipline.

The Turkish Insurance Industry Grew by 32 Percent

Reflecting the steady growth of Turkey's economy, the Turkish Insurance Industry had a very successful year, with 32% YoY growth as of the end of October 2016. In addition to the new regulations relating to Motor Third Party Liability (MTPL) Insurance, all insurance branches, and particularly Motor Own Damage (MOD), health and agricultural insurance, have expanded significantly in terms of both customer base and premium production. Furthermore, the Turkish Insurance Industry successfully handled all physical damage claims of policyholders in the aftermath of the failed coup attempt, although these claims normally are not covered.

Aksigorta's Sustainable Profitability Goal

Deriving strength from its solid ownership structure and innovative management style, Aksigorta recorded a premium production of TL 1.896 million in 2016, and thus continued to create value.

In 2016, the Company undertook major projects such as investing in claims-handling, strengthening the IT infrastructure and the entire organization, in addition to improving its distribution channels and simplifying processes to increase efficiency.

Profitable growth in the Motor Own Damage (MOD) and fire branches, focusing on sales with the new health insurance model, and profitable and sustainable growth in bancassurance, as well as innovative new products were among the top priorities of the Company in 2016.

During the last year, our Company launched many innovative products and services, and continued to distinguish itself from its competition by diversifying its product portfolio. Aksigorta runs its operations in line with the goals of improving customer focus and achieving sustainable profitability and operational efficiency. As of year-end, the Company posted 10% growth, thanks to its balanced product and channel portfolio.

Aksigorta continued its innovative service approach in 2016, and developed "Parametric Earthquake Business Insurance" a first-of-its-kind parametric insurance product in Turkey. This new product enables the payment of claims covered in the policy based on the magnitude of the earthquake and without requiring expert reports, and regardless of whether any physical damage has occurred. Hence, it is aimed at preventing financial losses for businesses.

In 2016, Aksigorta and Acibadem Sigorta, an expert in health insurance, jointly developed a new business model, marking yet another significant step for Aksigorta towards achieving its operational efficiency and sustainable profitability goals.

I would like to extend my sincerest thanks to all our stakeholders for their continued support to Aksigorta's operations in 2016. I am looking forward to celebrating continued success in the coming period.



Haluk Dinçer

Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read "H. Dinçer".

Uğur Gülen

General Manager and Member of the Board of Directors

A handwritten signature in black ink, appearing to read "Uğur Gülen".

THE ECONOMY AND THE SECTOR IN 2016

The Turkish insurance industry continues to improve, and stands out with its high growth potential

THE GLOBAL ECONOMY

The United States presidential election, Brexit followed by a growing opposition to the European Union across Europe, and the increasing geopolitical risks in the Middle East continue to prevail and affect global markets. The IMF draws attention to increasing political risks in the latest issues of its World Economic Outlook and Global Financial Stability Reports, stating that the uncertainties surrounding the global economy suppress economic activity; However, the European Central Bank (ECB), which had previously announced that it would scale back asset purchases, did not alter its monetary policy. Affected by these recent developments, the global economy recorded 3.1% growth in 2016.

Supported by exports and consumer spending, the U.S. economy grew 2.9% in the third quarter, notching its best performance in two years. The U.S. labor market maintained its strong momentum, while the Consumer Price Index (CPI) increased 1.5% for the 12 months that ended September 30, the fastest inflation rate in nearly two years.

British Prime Minister Theresa May announced that the U.K.'s exit from the European Union would commence in April 2017, leading to an increase in Brexit-related risk factors. Meanwhile, the most recent macroeconomic data released by the U.K. points to an economic outlook much better than expected. As the U.K. economy grew 2.3% YoY, exceeding all expectations, China's economy maintained steady growth at an annual rate of 6.7%. China's GDP growth was largely supported by government spending and real estate investments, and yet private sector investments remained weak. Meanwhile, Japan's Central Bank failed to make progress at its November meeting despite ongoing deflationary pressures.



While OPEC is expected to reach an agreement to limit its oil production, Russia's approach to this deal remains unclear. Due to the ongoing war, Iraq, Libya and Nigeria demanded exemptions from oil production cuts, which created pressure on oil prices. On the other hand, announcements made by Saudi Arabia and other Gulf states that they were ready to cut oil output by 4% provided some support to oil prices in the last days of October. However, oil producers failed to reach a deal at a meeting held in Vienna on October 29-30, putting downward pressure on oil prices.

THE TURKISH ECONOMY

As global economic uncertainties continue, the Turkish economy is affected by political and geopolitical risks. Leading indicators show a significant slowdown in economic activity. Considering these developments, the government prepared its Medium-Term Program with a focus on growth performance.

At its October meeting, the Central Bank of Turkey (CBRT) decided to cut the upper band of the interest rate corridor, starting in March. In its statement, CBRT announced that despite the recent improvements in inflation indicators, exchange rates and other cost elements limit improvement in the inflation outlook and therefore cautionary monetary policy needs to be maintained.

A 1.4% YoY contraction in industrial production has led to weaker growth forecasts. However, economic activity is expected to pick up slightly in the last quarter, supported by government spending and the decision to ease macroeconomic measures.

According to Q3 results, exports and imports dropped 5.6% and 0.7% (YoY), respectively. As the drop in exports was greater than the drop in imports during this period, the foreign trade deficit widened 14.1% YoY.

Data excluding seasonal and calendar effects shows a monthly reduction of 3% in exports and 3.1% rise in imports in September. This data confirms an upward pressure on the foreign trade deficit.

THE INSURANCE INDUSTRY

Insurance awareness and penetration are still very low in Turkey, and the market has not yet reached a point of saturation comparable to the rest of the world; the Turkish insurance industry continues to grow, and presents enormous potential. Turkey's shift toward a growth model driven by foreign sales, increased urbanization and a flourishing middle class have significantly affected attitudes towards the insurance industry. Accordingly, in addition to Motor Own Damage (MOD) and Motor Third Party Liability (MTPL) insurance products, which have been the key drivers of the insurance market for years, other products, such as workplace insurance aimed at SMEs and commercial enterprises, special insurance packages tailored to specific industries, shipping insurance, engineering and liability insurance, are expected to grow significantly.

Between 2004 and 2014, the insurance industry expanded almost fivefold. In terms of growth, it outperformed other industries in Turkey as well as insurance industries in other countries, with an annual growth rate outpacing GDP growth rate. Currently in Turkey, MTPL insurance penetration stands at 81%, MOD at 28%, fire/home at 25%, mandatory earthquake at 31%, and life insurance at 24%: another indicator of Turkey's high potential for insurance.

According to data from the Insurance Association of Turkey (IAT), total premium production by the insurance industry increased about 30% on a YoY basis, reaching almost TL 17.5 billion in the first half of 2016. New regulations relating to Motor Third Party Liability insurance helped eliminate some of the cost elements and this was reflected in the sector as discounts. As well, the most recent developments relating to personal insurance products, and especially health insurance products, contributed to the industry's growth in terms of both the number of policyholders and premium production.

Following the events that took place during the failed coup attempt, the Insurance Association of Turkey announced that all physical damage claims, and especially vehicle damage claims would be settled, whether or not they are covered. Accordingly, all insurance companies immediately paid damage claims and compensated policyholders for losses incurred.





“ANYTHING IS
POSSIBLE IF
YOU WANT IT!”

ASSESSMENT OF AKSIGORTA'S OPERATIONS IN 2016

In 2016, Aksigorta offered its customers first-of-its-kind, innovative products and thereby contributed to the development of the industry.



In line with its innovative approach, Aksigorta continued to offer its customers pioneering products and services in 2016. Standing out with its technology investments, Aksigorta remained the top choice for millions of individuals and corporations, thanks to strong and effective communication with its customers.

In 2016, Aksigorta offered its customers first-of-its-kind, innovative products, and thereby contributed to the development of the industry. With its parametric insurance product, "Parametric Earthquake Business Insurance", Aksigorta prevented financial losses for businesses, regardless of whether physical damage occurred in the workplace. Further, Aksigorta entered collaboration

with Acibadem Sigorta, marking yet another first for Turkey's health insurance market. The "Pati Pet Insurance", considered a social responsibility project rather than a conventional product, continues to protect pets while making donations to HAÇIKO to benefit stray animals.

As MOD and MTPL insurance products continue to dominate the market, Aksigorta offered up to 30% discounts, following the introduction of new regulations related to Motor Third Party Liability insurance products; and significantly increased its market share in this segment.

With a market share of 6%, Aksigorta ranked as the fifth largest company in the sector in 2016, boosting its profits by achieving 10% growth.

MAIN DEVELOPMENTS IN 2016

Aiming to make insurance easy, understandable and accessible, Aksigorta developed several applications in 2016 to facilitate Motor Own Damage insurance.



Aksigorta Launched “CEO Cockpit” As Part of Its Digitalization Efforts

With the CEO Cockpit application, developed in line with the “Enterprise Mobility” strategy, Aksigorta’s senior management can quickly access KPIs in areas such as production, claims-handling and finance – anytime and anywhere. Thanks to its advance filtering and drill-down features, this application enables senior managers to access any information relating to channel, product, region and agent, instantly and easily.

New Applications from Aksigorta to Facilitate Motor Own Damage Insurance

Aiming to make insurance an easy, understandable and accessible offering, Aksigorta launched a new application to provide MOD quotes to its customers through the social networking site Facebook, which has 39 million users in Turkey. Users can get an MOD quote in seconds by simply entering the “Instant MOD” application on Aksigorta’s Facebook account (<https://apps.facebook.com/aksigortaanindakasko/>), and providing their Turkish Identification Numbers and license plate data. This application is a first-of-its-kind in the sector. After obtaining quotes, users may share their contact information, enabling contact from Aksigorta agents and a rapid completion of MOD insurance policy purchases.

Another Aksigorta application facilitating MOD insurance is the “Quick MOD Insurance Quote via Turkcell BiP Application”. Using Aksigorta’s account - the first insurance company that can be followed on the BiP application menu - customers can type in their Turkish Identification Numbers and license plate data, and instantly get an MOD insurance quote.

Resources Are Allocated to Their Rightful Owners

Aksigorta launched a Claims Fraud Management project in May, and began using advanced anti-fraud technologies such as social network analysis and analytical modeling techniques. After the launch of this project, the fraud detection rate rose 15%.

MAIN DEVELOPMENTS IN 2016

With its “Parametric Earthquake Business Insurance”, a first-of-its-kind product both in Turkey and worldwide, Aksigorta protects companies against the risk of earthquake damage, regardless of whether there has been physical damage.

A “First” from Aksigorta in Private Health Insurance

Aksigorta and Acibadem Sigorta established a new business partnership. This new business model is already being implemented in developed insurance markets, but it is a “first” in Turkey, offering a competitive benefit to private health insurance customers by leveraging Aksigorta’s sales strength and extensive distribution network with Acibadem Sigorta’s expertise in health insurance and its advanced infrastructure. Approved by the Turkish Competition Authority, this partnership will not only enable Aksigorta and Acibadem Sigorta to expand their market shares, but will also help to relieve the economy of the burden of healthcare costs. Referring to Article 5 of the Law No: 4054 on the Protection of Competition, the Turkish Competition Authority concluded that this partnership benefits consumers, and therefore should be treated as a personal exemption. Aksigorta came together with its agents and brokers to share information about its partnership with Acibadem Sigorta.

A First-of-Its-Kind Insurance Product from Aksigorta: “Parametric Earthquake Business Insurance”

Developed by Aksigorta, “Parametric Earthquake Business Insurance” is a first-of-its-kind product not only in Turkey, but worldwide. This product protects companies against the risk of earthquake damage, regardless of whether any physical damage has occurred, and without requiring expert reports. The premium amount ranges from TL 55 to TL 225, depending on the risk zone, and the total coverage amount – starting at TL 25,000 – is paid and transferred to the policyholder’s bank account within a maximum of 10 days, should the magnitude of the affecting earthquake exceed 8 according to the Mercalli Intensity Scale. This product helps mitigate potential financial losses to companies, regardless of the occurrence of physical damage.

Electronic Devices and White Goods Are Under the Protection of Aksigorta

Offered for the first time under a partnership by Aksigorta and CarrefourSA, the “CarrefourSA Extended Warranty Package” provides an extended one- to three-year warranty on electronics (LCD/Plasma TVs, tablet computers, laptops, mobile phones) and white goods (refrigerators, washing machines, dishwashers and freezers) purchased from CarrefourSA. In addition, Aksigorta offers to all purchasers of this package, at no extra charge, “Electronic Device Insurance”, which provides protection against burglary, contact with liquids, or breakage.

Unlimited OFL Coverage from Aksigorta

The Optional Financial Liability (OFL) coverage included in MOD insurance policies is becoming increasingly important as vehicle prices and repair costs continue to rise. Although the MTPL coverage limits set by the Undersecretariat of Treasury increase every year, they may be insufficient to pay for some damages. As a leading insurance company, Aksigorta added “Unlimited OFL Coverage” to MOD insurance policies; this additional coverage helps reduce financial liabilities for vehicle owners in the case of damage to a third party. Unlimited OFL Coverage can be included in MOD insurance policies, or can be purchased separately.

Aksigorta’s Customer-Focused Approach

Aiming to strengthen the customer focus in the insurance business, 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), which was co-founded by Sabanci University and the Massachusetts Institute of Technology



(MIT). The primary purpose of this program is to help understand customer needs, and to provide guidance on the analysis of big data in insurance and in developing new strategies, and thus build the foundation of Aksigorta's customer strategies for the next five years.

Aksigorta's Internal Communication Platform: BizBize

Aiming to make insurance easy, understandable and accessible, Aksigorta took another significant step forward in internal communications and launched "BizBize", a digital communications platform that takes internal communications to a new level. The purpose of BizBize is to eliminate communication gaps, and create an effective top-down communication regarding the Company's goals and strategies.

Aksigorta Revamped Its Corporate Identity

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

Aksigorta Came Together with Its Employees

Aksigorta employees gathered at an event in late December to evaluate 2016 and share 2017 goals, as well as to relieve stress after a busy year. New goals and strategies were shared at the event, where employees participated in various activities designed to inspire motivation for the coming year.



Aksigorta Continues to Support Its Distribution Channels

The "21st Century Agency Management Certificate Program", developed in collaboration with Bilgi University to support the development of agents and the insurance industry, graduated its second group of participants - 24 agents in total. Aksigorta agents donate to the Turkish Education Foundation for registration in the Training Program, which offers both rich content directed towards career advancement, and an invaluable opportunity to participate in an important social responsibility project.

To refresh agents' expertise on non-motor claims and to share new developments, Aksigorta's Non-Motor Claims Teams met with a total of 463 agents in Istanbul, Ankara and Izmir, on September 28, and October 7 and 13. The Aksigorta Non-Motor Claims Teams conducted knowledge-sharing meetings, and demonstrated sample cases of claims-handling practices relating to fire, home, engineering and shipping insurance products, discussing coverage for each of these branches as well as the features and contents of insurance policies.

Aksigorta's Agent Trips Continue

Aksigorta organized trips for its agents who achieved their goals during the campaign period. Featuring some of the world's most attractive destinations, the first stop was Thailand, a prominent tourism and economy hub in the Far East. Accompanied by Aksigorta managers, agents traveled to Thailand between February 29 and March 6, to Rome on April 17 -20, and to New York on May 5 - 9.

HUMAN RESOURCES AT AKSIGORTA

Creation and maintenance of a fair working environment is one of the fundamental ethical values of the Company.

Human Resources Policies at Aksamorta

A leading company that strives for continuous development, with its trust, dynamism, quality management and customer-oriented service approach, Aksamorta's most valuable asset is its employees enabling it to be a leader in the insurance sector where there is an on-going high level of competition.

Human Resources Management aims to establish a system which ensures the participation of all of its employees and which is based on cooperation and continuous development, and also supports the professional and personal development of our employees - Aksamorta's principal capital - within the framework of our corporate culture and main values of being respectful, solutions driven, success driven, people focused.

Recruitment

All the criteria required by the positions are specified in accordance with our corporate strategies and targets. Candidates go through various processes in accordance with the criteria defined for the recruitment processes, and our Company ensures that the most suitable candidates are recruited for the most fitting posts through different kinds of processes (interviews, analyses, case studies and development center etc.).

Every year, fresh graduates, who are selected and hired through the Young Talent Program, start working at various departments within Aksamorta.

Performance Management

At the beginning of each year, 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 Aksamorta's performance management

system, "Success Path". At quarterly intervals 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.

Talent Management

Parallel with its corporate strategies, Aksamorta has a predefined and closely followed talent management process. In the approach to talent management, a segmented understanding is essential. Processes like attracting, recruiting, developing a talent, loyalty and reservation of a talent are considered as important parts of talent management. With the perception of "Development of the employees is the development of our Company," Aksamorta carries out talent management programs exclusive for various categories from long-term interns to top management. Along with these programs, the talent management process is continued with career opportunities and mentorship programs within the Company. Thanks to these programs, Aksamorta raises its own leaders within the company and efficiently uses its human resources, its most valuable asset.

Compensation

Aksamorta extends a competitive salary policy to its employees. In addition to annual pay rises based on performance, there is a continuous improvement in vested benefits such as bonus systems, job valuations, private pensions, life insurance and personal accident insurance.

Aksigorta Academy

The Aksigorta Academy was founded with a mission to train employees to adapt to changing customer needs and expectations through a customer-oriented approach, and will ensure continuous growth by making the difference in their business in order to increase product and service quality. Accordingly, Aksigorta Academy serves as a development center providing the most effective and efficient training courses to employees, stakeholders and customers.

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.

Development Programs make use of development methods such as classroom training, e-learning, master programs, English training, and seminar/conference, experience sharing meetings, projects and reading materials. The Academy supports development activities in five main titles:

Leadership Academy: It includes training and development activities which are prepared to develop upper and mid-level managers in line with the Company's vision and mission.

Talent Management Development: It consists of development and follow-up programs aiming to develop employee's administrative and business competence within the scope of talent management projects.

Development Academy: It includes all personnel development, technical, product training and conferences/seminars which are planned in accordance with training needs analysis for employees at all levels.

Sales Academy: Established in 2012 to standardize and add value to Aksigorta's sales force, in addition to increasing sales, the Sales Academy aims to bolster the relationship between all shareholders and Aksigorta, and to enhance loyalty. The Sales Academy encompasses training activities oriented to sales teams, agencies and our employees.

Aksigorta E-Academy: Established to introduce development activities combining with the possibilities provided by the current technology without time and space constraints, it includes all academies that are in operation within Aksigorta Academy.

Internal Communication

Active use of internal communication channels is encouraged to ensure employees' loyalty and improve their performance. The Company's targets and strategies are explained and information on their performance is provided to employees through various communication channels.

The Company organizes activities in which employees can come together for purposes other than work to support the development of communication between different departments. The most important objectives are to increase employees' satisfaction and loyalty, keep employees in the Company, maintain a balance between private life and business life and create a family atmosphere. The following activities are conducted for this purpose:

- Organizations for special days
- Social club activities
- Sports tournaments
- Sharing that raises awareness on health for employees
- Internal communication announcements

Human Resources Policy of the Company

Human resources policies of the Company are managed in accordance with the vision, mission and values of the Company.

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. Creation and maintenance of a fair working environment is one of the fundamental ethical values of the Company.

SOCIAL RESPONSIBILITY

Standing out with its social responsibility projects, Aksigorta participated in the “September Project” initiated by the Spastic Children’s Foundation of Turkey, and became one of two teams to collect the most donations.

In collaboration with HAÇIKO (Society for the Prevention of Cruelty to Animals), Aksigorta initiated a social responsibility project to protect stray animals under its “Pati Insurance” product, aimed at protecting pets: 10% of the revenue generated from each Pati Insurance policy is donated to HAÇIKO to provide food and care for stray animals. In this way, policyholders have the opportunity protect both their pets and stray animals.

Standing out with its social responsibility projects, Aksigorta employees participated in the “September Project”, initiated by the Spastic Children’s Foundation of Turkey. Among a total of 65 corporate teams, the Aksigorta team was one of two teams collecting the most donations. To support this project, which aims to offer hope and inspiration to children with cerebral palsy, Aksigorta employees took 15.9 million steps.



THE ENVIRONMENT

Administered by the World Wildlife Fund (WWF) Turkey, the WWF Green Office initiative aims to reduce consumption of natural resources and the ecological footprint by improving offices' environmental efficiency. Aksigorta began a collaboration with WWF in late 2015 to elevate employee awareness on paper and energy consumption. Through these efforts, Aksigorta received Green Office certification in 2016.

Activities undertaken in 2016 towards becoming a "Green Office":

- The number of recycling bins for collecting used batteries and waste paper was increased in all working areas.
- Energy loss was minimized with automated air conditioning.
- Employees were encouraged to reuse paper by printing on both sides.
- Employees were informed about the benefits of drinking from glass to minimize the use of paper/polystyrene foam cups in offices.
- Informative stickers were placed on printers, kitchens, trash cans, air conditioners, light switches, and bathrooms to encourage more efficient energy, water and paper consumption among employees.
- Informative e-mails on efficient energy, water and paper use, as well as greenhouse gas emissions and energy conservation, were sent to employees at regular intervals to draw attention to water, energy and paper conservation.







“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.



Barry Duncan Smith

Vice Chairman of the Board of Directors
(Since 28 June 2013)

Barry Smith has spent his career in various jobs in the financial services sector. He assumed the role of Chief Executive for Fortis UK in 2001. In this role, he has been responsible for spearheading the business in its strategy to become a profitable manufacturer and retailer of insurance solutions in the UK, developing a range of award-winning customer-focused propositions that are unparalleled in the market. He has been appointed as President of the Chartered Insurance Institute. Barry Smith has been CEO of the UK segment of the Ageas group until 8 January 2013, when he became Chief Operating Officer of Ageas.



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.



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.



Neriman Ülsever

Board Member

(Since 1 April 2014)

Neriman Ülsever graduated from Bosphorus University in Business Administration in 1975. Ms. Ülsever started her career in 1973 at Turkish Airlines. Between 1986 and 1994, she respectively worked at Anadolu Bank, Emlak Bank, Group Sanfa and Impexbank, with increasing responsibilities in managerial roles. In 1994, Ms. Ülsever decided to focus on human resources and management consultancy and set up IKE Ltd. in 1995. She joined Indesit Company in Turkey and over the years she assumed diverse international assignments within Indesit Group. Between 1999 and 2002, she was the Human Resources Director, East Europe and International Markets, based in Switzerland and was appointed Human Resources Director, West Europe Markets based in France between 2001 and 2004. She assumed the role of Human Resources Director, Global Commercial in 2004 based in Italy. In 2006, she became the Global Human Resources Director of Indesit Group based in Italy. Ms. Ülsever, an executive member of the Board of Directors at Indesit Company, Turkey since 1996, was appointed President of Indesit Turkey starting from 1 January, 2011.

YÖNETİM KURULU



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.



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 Bosphorus University. Hakan Eminsoy is married and has one child.

BOARD OF AUDITORS

Audit Committee:

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

Neriman Ülsever

Member

Stefan Georges Leon Braekeveldt

Member

Erkan Şahinler

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.



Erkan Şahinler

Assistant General Manager - Financial Affairs, Claims and Operations
(Since 20 October 2008)

Erkan Şahinler graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences at Bosphorus University. Having begun his professional career in the field of independent external audit in 1990, he has served in executive positions at various companies within Sabancı Holding since 1993. Mr. Şahinler joined Aksigorta in 2008 as the Assistant General Manager responsible for Finance. He has been serving as Assistant General Manager responsible for Financial Affairs, Claims and Operations since September 2016.



Çetin Kolukisa

Assistant General Manager - Agencies
(Since 18 April 2005)

Çetin Kolukisa graduated from the Faculty of Economy at İstanbul University. He holds a master's degree in Econometrics. He began his career in the insurance sector in 1989. He served as a Technical Manager at Aksigorta between 1994 and 1999. He rejoined Aksigorta in 2005 as the Assistant General Manager responsible for Agencies.



Fahri Altıngöz

Assistant General Manager - Corporate Relations, Reinsurance and Corporate Sales

(Since 1 December 2005)

Fahri Altıngöz graduated from the Department of Statistics at Middle East Technical University and began his career at Aksigorta in 1988. Fahri Altıngöz served in various executive positions at a number of companies before he joined Aksigorta in 2005 as the Assistant General Manager responsible for Claims. He currently serves as the Assistant General Manager at Aksigorta responsible for Corporate Relations, Reinsurance and Corporate Sales.



Özge Pala

Assistant General Manager - Human Resources

(Since 1 August 2015)

Özge Pala graduated from Boğaziçi University Department of Economics in 1999. Starting her professional career as an Assistant Purchasing Specialist in Lafarge, she later worked as Financial Analyst, Senior Strategist and Human Resources Director at the same company. Joining Enerjisa, a Sabancı group company, in 2010, Ms. Pala was the Strategic Human Resource Group Manager most recently.

EXECUTIVE BOARD



Metin Demirel

Assistant General Manager - Information Technologies

(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 - Personal Bank Insurance and Health

(Since November 1, 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.

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 2016, 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:

Erkan Şahinler, CFO
Osman Akkoca, Financial Control Department Manager,
Investor Relations Head (CMB Charter Level 3, Corporate
Governance Rating Charter)
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,

CORPORATE GOVERNANCE PRINCIPLES REPORT

- 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 15 times at the head office of the Company, 31 times at domestic conferences, 5 times at abroad conferences and 40 times on conference calls totalling 91 times in 2016 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 2016.

1.3. General Assembly Meeting

One annual General Assembly Meeting was held in 2016. General Meeting was held on March 24th 2016 Thursday 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 92.2% 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 2015 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 2015, Board's proposal to not distribute dividend was approved, board member replacement in 2015 was approved, brief information about the donations in 2015 was released and donation limits of the Company for the year 2016 was determined, Board's proposal for auditor election in 2016 was approved, change of Article 8 of the Article of Association 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.

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 2016 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 2016 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 Communique 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,

CORPORATE GOVERNANCE PRINCIPLES REPORT

- 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.

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 2016, 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.

CORPORATE GOVERNANCE PRINCIPLES REPORT

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 "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
 Barry Duncan Smith, Deputy Chairman, Non-executive Member
 Hayri Çulhacı, Non-executive Member
 Stefan Georges Leon Braekeveldt, Non-executive Member
 Neriman Ülsever, 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.

CORPORATE GOVERNANCE PRINCIPLES REPORT

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.

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 21 meetings in 2016; 4 times face to face meetings, 17 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 2016 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 2016, 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 2016 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 2016.

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 2016.

Members:

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

Neriman Ülsever, Member (Board Member)

Stefan Georges Leon Braekeveldt, Member (Board Member)

Erkan Şahinler, 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 2016.

Members:

İsmail Aydın Günter - Chairman

Stefan Georges Leon Braekeveldt - 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 50 to the financial statements.

The conclusion reached in the report dated 20.02.2017 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 2016, 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 403 million in shareholders' equity at end-2016, Aksigorta is one of the leading companies in the Turkish insurance sector.

Continuing to grow upon sustainable profitability, Aksigorta completed the year with TL 48 million of profit while increased its incurred claims TL 61 million.

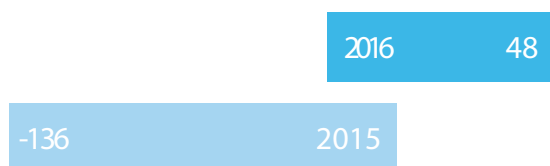
PREMIUM PRODUCTION (TL MILLION)



SHAREHOLDER EQUITY (TL MILLION)



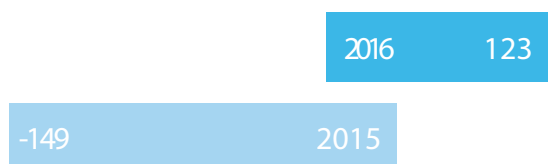
NET PROFIT (TL MILLION)



TOTAL ASSETS (TL MILLION)



TECHNICAL PROFIT (TECHNICAL PART BALANCE)



FINANCIAL INFORMATION AND RISK MANAGEMENT

RETENTION RATIO (NON-LIFE) (%)

2016	62
2015	68

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

2016	6
2015	-9

WRITTEN PREMIUMS / SHAREHOLDER EQUITY (%)

2016	471
2015	465

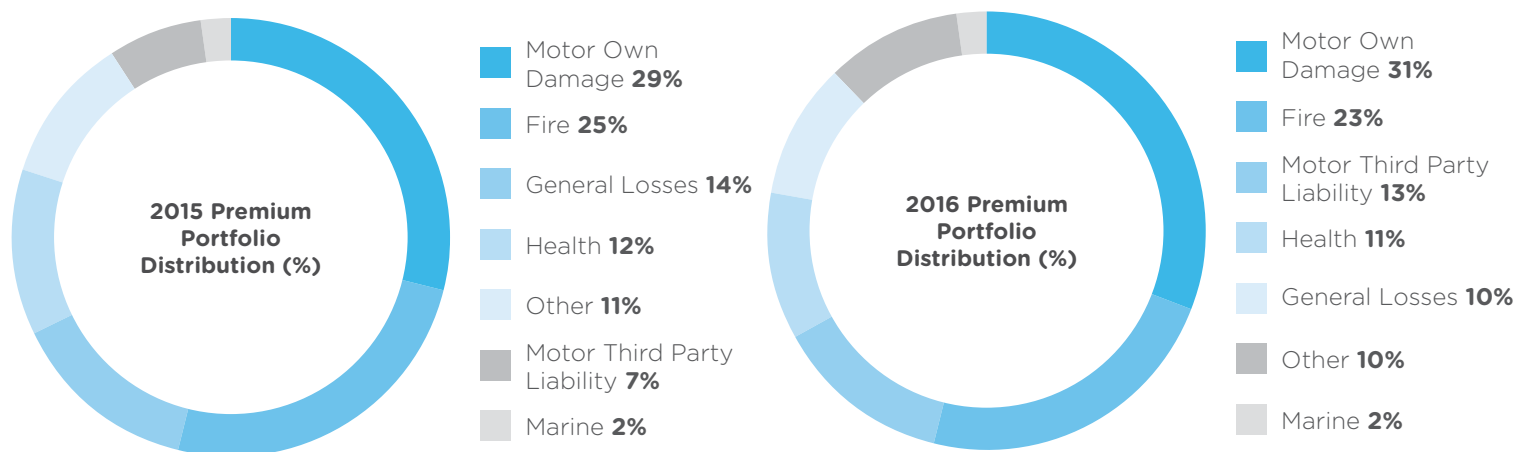
NET PROFIT / WRITTEN PREMIUMS (%)

2016	3
2015	-8

In 2016, the Company reached to TL 1,896 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 (%)	
	2015	2016	Change 16/15	2015	2016
Fire	401,894	442,890	10	25	23
Marine	30,171	31,416	4	2	2
Motor Own Damage	475,885	590,852	24	29	31
Motor Third Party Liability	104,985	246,021	134	6	13
Other	182,807	184,492	1	11	10
General Losses	229,269	181,321	-21	14	10
Health	197,070	218,566	11	12	12
Total	1,622,171	1,895,559	17	100	100



As of end-2016, 62% of generated premiums (amounting to TL 1,167 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 (%)	
	2015	2016	2015	2016
Fire	135,980	134,778	34	30
Marine	16,577	18,118	55	58
Motor Own Damage	474,906	589,982	100	100
Motor Third Party Liability	98,525	226,054	94	92
Other	70,628	75,185	39	41
General Losses	121,533	67,765	53	37
Health	186,516	54,705	95	25
Total	1,104,665	1,166,587	68	62

FINANCIAL INFORMATION AND RISK MANAGEMENT

Retention Ratio (%)

FIRE



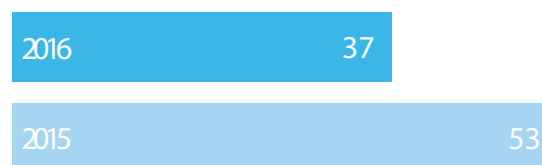
OTHER



MARINE



GENERAL LOSSES



MOTOR OWN DAMAGE



HEALTH



MOTOR THIRD PARTY LIABILITY



TOTAL



As of end-2016, Aksigorta retained TL 1,078 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 726 million. As of the same date, the ratio of incurred non-life claims to earned premiums (net) was 67%. 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) (%)	
	2015	2016	2015	2016	2015	2016
Fire	69,987	64,238	129,974	135,909	54	47
Marine	5,051	8,436	16,262	18,057	31	47
Motor Own Damage	356,567	384,132	466,406	521,956	76	74
Motor Third Party Liability	404,311	175,730	161,027	164,010	251	107
Other	20,389	38,306	135,678	118,230	15	32
General Losses	38,010	12,315	55,395	25,810	69	48
Health	137,722	42,786	192,466	94,697	72	45
Non-Life Total	1,032,038	725,942	1,157,208	1,078,668	89	67

Claims Incurred/Earned Premiums (Net) (%)

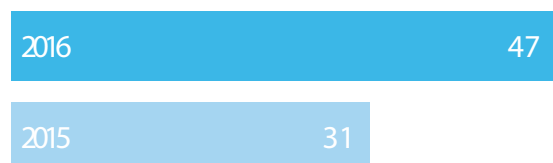
FIRE



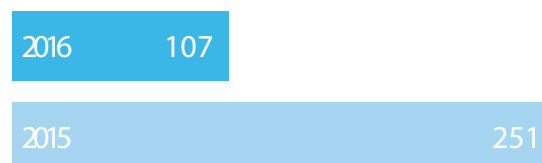
MOTOR OWN DAMAGE



MARINE



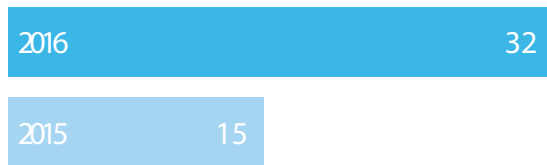
MOTOR THIRD PARTY LIABILITY



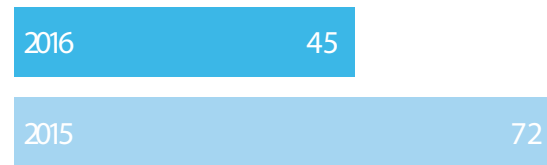
FINANCIAL INFORMATION AND RISK MANAGEMENT

Claims Incurred/Earned Premiums (Net) (%)

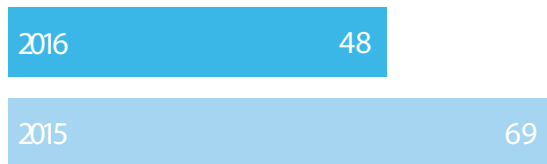
OTHER



HEALTH



GENERAL LOSSES



Technical Profit Balance

At end-2016, Aksigorta showed a total technical profit amounting to TL 120 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)	2015	2016
Fire	19,922	31,767
Marine	10,026	7,958
Motor Own Damage	4,535	30,545
Motor Third Party Liability	-278,291	-22,737
Other	87,025	58,516
General Losses	8,238	8,004
Health	19	6,103
Total	-148,527	120,156

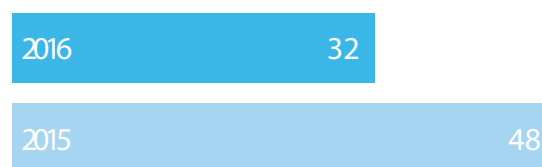
General Technical Profit Balance / Written Premiums (%)

	2015	2016
Fire	5	7
Marine	33	25
Motor Own Damage	1	5
Motor Third Party Liability	-265	-9
Other	48	32
General Losses	4	4
Health	0	3
Total	-9	6

FIRE



OTHER



MARINE



GENERAL LOSSES



MOTOR OWN DAMAGE



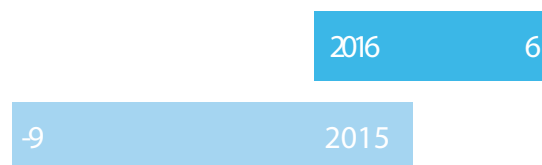
HEALTH



MOTOR THIRD PARTY LIABILITY



TOTAL



FINANCIAL INFORMATION AND RISK MANAGEMENT

In 2016, Aksigorta earned TL 185 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)	2015	2016	Change (%)
Foreign Exchange Gain	138,098	77,270	-44
Income from Financial Investment	56,294	102,646	82
Real Estate Income	0	0	0
Income from Derivatives	38,494	5,154	-87
Other Investment Income	0	0	0
Total	232,886	185,070	-21

Based on all of these technical and financial results, Aksigorta booked profit before tax of TL 48 million. The Company's shareholders' equity amounted to TL 403 million at end-2016. The breakdown of shareholders' equity items during the most recent two years is shown below:

Shareholders' Equity (TL Million)	2015	2016	Change (%)
Paid in Capital	306	306	0
Nominal Capital	306	306	0
Profit and Capital Reserves	179	185	3
Retained Earnings	0	-136	-1033728
Net Profit of the Period	-136	48	-135
Total Shareholders' Equity	349	403	16

At end-2016, Aksigorta's principal investments amounted to TL 868 million in value. Developments in the Company's investments during the most recent two years are shown below:

Investments (TL Thousand)	2015	2016	Change (%)
Financial Assets and Investments with Risks on Policyholders	686,054	866,439	26
Affiliates	7,961	-	100
Properties	1,679	1,679	0
Total Investments	695,694	868,117	25

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

Equity	Share (%)	Value (Thousand TL) 2016 Year-end
Merter BV	25	0

SUMMARY FINANCIAL INDICATORS

FINANCIAL INDICATORS (TL MILLION)	2015	2016
Gross Written Premiums	1,622	1,896
Incurred Claims	1,032	724
Technical Results	-149	123
Profit Before Tax	-136	48
Net Income	-136	48
Paid in Capital	306	306
Shareholders' Equity	349	403
Total Assets	1,880	2,056
CAPITAL SOLVENCY RATIOS	2015	2016
Gross Written Premiums / Shareholders' Equity	465%	471%
Shareholders' Equity / Total Assets	19%	20%
Solvency Ratio	112%	111%
OPERATIONAL RATIOS (NON LIFE)	2015	2016
Retention Ratio	68%	62%
Retention Ratio	89%	67%
Combined Ratio (Net)	122%	99%
PROFITABILITY RATIOS	2015	2016
Technical Results / Gross Written Premiums	-9%	6%
Profit Before Tax / Gross Written Premiums	-8%	3%
Net Income / Gross Written Premiums	-8%	3%
Return On Equity (ROE)	-32%	13%

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.

Internal systems mentioned in the Regulation include Internal Audit Unit, Risk Management System and Internal Control System. Aksigorta's risk management and internal control systems, which are intrinsic to the business of insurance and which have existed at the company since the day it was founded, were reorganized in 2008 by a Board of Directors resolution. As a result of this reorganization, Internal Systems and Actuary Group was set up and given responsibility for the company's risk management, internal control, quality control, compliance, and actuary functions. After the segregation of actuary function in early 2015; Internal Control, Risk and Compliance Management department's focus is solely to perform second line of defense activities within the internal control system of the company.

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, key processes and their control points are identified. The identified control points are detailed with risk&control matrices to accomplish the Internal Control documentation.

The Internal Control Unit conducts monitoring activities within the approved Internal Control Plan framework. In 2016, 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 division is responsible for ensuring all processes, business flows and policies are up-to-date and steadily monitored.

Risk Management

The Risk Management Unit was created to identify, quantify, monitor, and control all the risks to which the company is exposed. 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 two members including 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 top management members who are capable of making decisions about Risk appetite, Risk policies and action plans.

The Risk Management Unit was established to expeditiously identify, quantify, manage, report, and monitor any risks that might affect the company's future cash flows and operations. This is explained in the 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 as:

- 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. The sources of insurance risk can be categorized as Catastrophic events such as earthquakes and heavy storms that occur all of a sudden with huge impacts and the events with long term effects and consequences that appeared in time like fluctuations in the inflation and changes in people's behaviors.

There are many different types of risks in Insurance activities. Therefore Aksigorta has established the required systems in order to manage the company's core business risks effectively. The Company classifies its insurance risks in the following way:

- 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 separately classified as follows:

- Market Risks (interest rate, liquidity, investment, foreign exchange risk)
- Counter Party 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. The Risk Management Unit applies stress tests according to different scenarios and whenever significant risks are identified, management is notified of them along with suggested remedies. The Risk Management Unit monitors specific limit compliance and non-compliance on a monthly basis and it reports limit overruns, along with the reasons why they occurred.

Credit 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 reinsurers that have been determined by international rating agencies are also considered as early warning indicators and monitored closely by the Risk Management Unit.

Operational Risks

Operational Risk is the risk that is not inherent in financial, underwriting or market-wide risk, but results from insufficient or failed processes, IT infrastructure, employee or management faults, fraud, occupational accidents or other management and business environment factors that can create loss for the company. Operational risks are among the risks which a company must identify, measure, and manage as part of its overall risk management activities. At Aksigorta, operational risks are managed by the appropriate units of the company in coordination with its internal audit, internal control, and risk management units.

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 top management and the Risk Management unit. In addition, each unit has 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 2016. 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 priority of them. For key risks, risk appetite and limits are identified to determine the amount of risk that the company is willing to take and then action plans are developed accordingly.

Aksigorta's Risk Management Unit monitored the risks which were prioritized together with related units (risk owners) throughout 2016 and reported to the Board and the Early Detection of Risk Committee; action plans are applied to decrease the level of concern of risks when needed.

Consequently, Aksigorta's Risk Map was updated and risks were prioritized by Impact/Probability Scale for 2017. These risks will be monitored throughout 2017 and pre-defined actions plans will be implemented when necessary.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The reports that the Risk Management Unit prepared in 2016:

- “The Risk Report” that presents all risks that can affect Aksigorta
- Key Risk Report
- Incident Report
- Early Detection of Risk Committee Presentation
- Compliance Risks Report

The results of risk assessments and risk-related developments are reported regularly to senior management and the Early Detection of Risk Committee and the Aksigorta Risk Committee.

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 by managing its risks effectively.

Compliance

The Compliance Unit conducts its activities under the Internal Control, Risk Management and Compliance 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.

In addition, the unit is charged with developing and implementing a risk-sensitive 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.

Actuarial

The Actuarial Unit was set up as part of the Finance Department and given responsibility for managing risks that are directly related to the conduct of the company’s principal business activity: insurance. The duties of this unit include calculating the company’s mandatory technical reserves; providing technical support on risk-pricing issues and quantifying and managing associated risks in coordination with the Risk Management Unit; sectoral monitoring and reporting actuarial figures; conducting simulations related to proposed strategies and making forecasts and predictions.

IMPORTANT REGULATION CHANGES OF THE YEAR 2016

Convention for the protection of individuals with regard to automatic processing of personal data:

Turkish Grand National Assembly (TBMM) ratified the European Union’s data protection convention. The purpose of the convention is to secure the individuals’ rights and fundamental freedoms, and in particular right to privacy with regard to automatic processing of personal data relating to individuals.

Law on Protection of Personal Data:

Following the ratification of the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data on 30.01.2016, Law on the Protection of Personal Data was enacted and entered into force on 07.04.2016. The Law provides the general framework for the protection of personal data and sets forth fundamental principles for data processing, makes a clear distinction between sensitive and non-sensitive personal data. Moreover; it establishes the conditions for data processing, addresses data security issues and transfer of data to third parties and determines the rights of the data subjects and obligations of the data responsible.

Amendment on the Road Traffic Law and General Conditions of Motor Vehicles Compulsory Third Party Liability Insurance:

Amendments to the Road Traffic Law including regulations on Motor Third Party Liability Insurance (MTPL) were enacted with the Omnibus Law that entered into force on 26.04.2016.

The rules and procedures of claims under the Traffic Insurance are laid down by the general conditions prepared in the scope of Road Traffic Law. For the claims for immaterial losses and those are not regulated under this law and general conditions the provisions regarding the torts of the Code of Obligations will be applied.

Pursuant to the amendment, claims arising from the policy holder's own gross fault, claims that are not covered by the insured liability risk and claims which are not covered by the general terms and conditions of MTPL Insurance regulated by the Road Traffic Law are excluded from the coverage.

The claiming or injured party should first apply in written to the related insurance company before filing a lawsuit. The insurance companies are obliged to give a written reply to the application within fifteen days. If the insurer's response exceeds the legal time or the dispute is not solved, the claiming party can choose either to file a lawsuit or to appeal to arbitration.

Previously, the Accident Report or Claims adjuster report was enough for claims. With the amendment, documents specified in the General Terms and Conditions of MTPL Insurance are requested from the policy holder to hand over to the insurance company, to initiate the legal eight working day period for reimbursement.

Circular Related to Unexpired Risks Provision:

The Unexpired Risks Provision (URP) calculation methodology which is determined in the "Regulation on Technical Provisions of Insurance, Reinsurance and Pension Companies and Assets on which Such Provisions are to be Invested" has some deficiencies in accordance with the actuarial approach for certain branches. Hence for motor, motor liability and general liability branches a methodology has been established with the circular which allows insurance companies to take into account four quarter claim terms in the calculation of claim/premium ratio regarding the URP. The new method is not mandatory.

Circular on Discount of Net Cash Flows Arising from Outstanding Claims Reserve:

Insurance companies have right to discount in the net cash flows arising from outstanding claims reserve in certain principles. In the circular the discount process is defined as change in the accounting policy hence the deferred outstanding claim reserve (opening amount) that is used in the calculation of Unexpired Risk Provision should also be discounted. Aksigorta does not make any discount regarding the circular.

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 2016 were realized by the Internal Audit Department consisting of one Head of Internal Audit, one Division Manager, Unit Manager and three Internal Auditors, in accordance with the “2016 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 process owners 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: 20.02.2017

NUMBER DECISION: 12

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Barry Duncan SMITH
- Hayri ÇULHACI
- Meral KURDAŞ
- Stefan Georges Leon BRAEKEVELDT
- İsmail Aydın GÜNTER
- Emin Hakan EMİNSOY
- Uğur GÜLEN

AGENDA:

Determination of use of Profit of the year 2016

RESOLUTION

It has been understood that there is a "Net Period Profit" of 48.167.276.-TL in the Financial Statements for the period of 01.01.2016-31.12.2016, prepared in accordance with Capital Market Board's Accounting Standards and Generally Accepted Accounting Principles and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young), It has been decided to use the amount of 48.167.276.- TL profit for the year 2016 and General Legal Reserves amount to 83.064.172.- TL at the balance sheet date of 31.12.2016 for the closing of Previous Years' Losses and to submit decision to General Assembly's approval.

Chairman
Haluk DİNÇER

Vice Chairman
Barry Duncan SMITH

Board Member
Hayri ÇULHACI

Board Member
Meral KURDAŞ

Board Member
**Stefan Georges Leon
BRAEKEVELDT**

Independent Board
Member
**İsmail Aydın
GÜNTER**

Independent Board
Member
Emin Hakan EMİNSOY

Board Member,
General Manager
Uğur GÜLEN

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Aksigorta Anonim Şirketi

Report on the Independent Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of Aksigorta Anonim Şirketi ("the Company") for the period ended December 31, 2016.

Management's Responsibility for the Annual Report

In accordance with the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the Company management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Independent auditors' responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated February 13, 2017 and provides fair presentation.

We conducted our audit in accordance with the regulations regarding auditing principles set by insurance legislation and the Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (POA). Those standards require that ethical requirements are complied with and the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence on the historical financial information. The selection of these independent audit procedures is based on our professional judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report of the board of directors is consistent with the audited financial statements and reflect the truth fairly in all material respects.

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with the third clause of the article 402 of TCC, no material uncertainty has come to our attention that causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future in accordance with TAS 570 "Going Concern".

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Akkuş Tecer, SMMM
Partner

February 20, 2017
Istanbul, Turkey

(Convenience translation of independent auditors' report
and financial statements originally issued in Turkish)

Aksigorta Anonim Őirketi

Financial Statements as of
December 31, 2016 together with
the Independent Auditor's Report



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation of independent auditors' review report originally issued in Turkish)

Independent auditors' report

To the Board of Directors of Aksigorta Anonim Şirketi

Report related to Financial Statements

We have audited the accompanying balance sheet of Aksigorta Anonim Şirketi ("the Company") as of December 31, 2016 and the related statement of income, statement of changes in equity, cash flow statement for the year then ended and then ended and a summary of significant accounting policies and other explanatory notes.

Company Management's responsibility for the financial statements

The Company management is responsible for the preparation and fair presentation of these financial statements in 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" and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the regulations regarding auditing principles set by insurance legislation and the Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (POA). Those standards require that the ethical principles are complied with and that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and footnotes in the financial statements. The independent audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the independent auditors consider internal systems relevant to the entity. However our purpose is not expressing an opinion on the effectiveness of the entity's internal control, but to consider the relation of the financial statements prepared by the Company management and the internal systems in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Aksigorta Anonim Şirketi as of December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the Insurance Accounting and Financial Reporting Legislation with all its significant aspects.

Emphasis of matter

As explained in Note 23.3, 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.

Report on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

- 1) In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") 6102, the Independent Auditor's Report on the Early Identification of Risk System and Committee was submitted to the Board of Directors of the Company on February 13, 2017.
- 2) In accordance with Article 402 TCC, no significant matter has come to our attention that leads us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with Article 402 of the TCC, the Board of Directors has provided us with the required explanations and documents.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Akkuş Tecer, SMMM
Partner

February 13, 2017
İstanbul, Türkiye

AKSIGORTA ANONİM ŞİRKETİ**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE
FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2015**


We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2016 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, February 13, 2017

Osman AKKOCA
Chief Financial Officer



Halil KOLBAŞI
Actuary
Licence No: 72



Uğur GÜLEN
Chief Executive Officer

Seza TANINMIŞ ÖZGÜR
Accounting Manager

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

ASSETS	ASSETS	Note	Audited	
			Current Period (31/12/2016)	Previous Period (31/12/2015)
A- Cash and Cash Equivalents			481.198.544	551.303.762
1- Cash			-	-
2- Cheques Received			-	-
3- Banks	14		270.379.281	374.800.368
4- Cheques Given and Payment Orders (-)			-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14		210.819.263	176.503.394
6- Other Cash and Cash Equivalents			-	-
B- Financial Assets and Investments with Risks on Policy Holders		11.1	866.438.586	686.053.937
1- Financial Assets Available for Sale	11.1		863.908.401	678.300.658
2- Financial Assets Held to Maturity			-	-
3- Financial Assets Held for Trading			-	-
4- Loans			-	-
5- Provision for Loans (-)			-	-
6- Investments with Risks on Policy Holders	11.1		2.530.185	7.753.279
7- Equity Shares			-	-
8- Impairment in Value of Financial Assets (-)			-	-
C- Receivables From Main Operations		12.1	441.331.531	397.936.342
1- Receivables From Insurance Operations	12.1		440.123.021	396.437.558
2- Provision for Receivables From Insurance Operations (-)	12.1		(6.796.115)	(9.860.324)
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		87.090.411	71.388.831
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1		(79.116.740)	(60.060.677)
D- Due from Related Parties			102.137	80.678
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	45		102.137	80.678
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			8.229.918	7.315.908
1- Leasing Receivables			-	-
2- Unearned Leasing Interest Income (-)			-	-
3- Deposits and Guarantees Given			416.937	376.422
4- Other Receivables	47		7.812.981	6.939.486
5- Discount on Other Receivables (-)			-	-
6- Other Doubtful Receivables			-	-
7- Provisions for Other Doubtful Receivables (-)			-	-
F- Prepaid Expenses and Income Accruals		4.2.2	151.665.564	123.513.895
1- Deferred Commission Expenses			148.889.525	120.698.665
2- Accrued Interest and Rent Income			-	-
3- Income Accruals			91.000	276.048
4- Other Prepaid Expenses	47		2.685.039	2.539.182
G- Other Current Assets		4.2.2	11.962.076	5.458.704
1- Inventories			22	22
2- Prepaid Taxes and Funds	4.2.2		11.855.334	5.241.964
3- Deferred Tax Assets			-	-
4- Business Advances			20.864	168.635
5- Advances Given to Personnel			85.856	48.083
6- Stock Count Differences			-	-
7- Other Current Assets			-	-
8- Provision for Other Current Assets (-)			-	-
I- Total Current Assets			1.960.928.356	1.771.663.226

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT DECEMBER 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

II- NON CURRENT ASSETS		ASSETS	Note	Audited Current Period (31/12/2016)	Audited Previous Period (31/12/2015)
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				-	7.961.251
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 (-)	4, 2.2, 11.4			(30.116.653)	(22.155.402)
E- Tangible Fixed Assets					
1- Investment Properties	7			80.126	80.126
2- Diminution in Value for Investment Properties (-)				-	-
3- Owner Occupied Properties	6			1.598.569	1.598.569
4- Machinery and Equipments				-	-
5- Furnitures and Fixtures	6			21.816.976	16.510.365
6- Vehicles	6			-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6			20.331.354	20.034.606
8- Leased Tangible Fixed Assets	6			351.395	351.395
9- Accumulated Depreciation (-)	6, 7			(16.096.462)	(11.962.994)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)				-	7.376
F- Intangible Fixed Assets					
1- Rights	8			69.825.964	52.085.155
2- Goodwill				-	-
3- Establishment Costs				-	-
4- Research and Development Expenses				-	-
6- Other Intangible Assets				-	-
7- Accumulated Amortizations (-)	8			(30.227.061)	(20.757.045)
8- Advances Regarding Intangible Assets	8			1.577.347	2.666.428
G- Prepaid Expenses and Income Accruals					
1- Deferred Commission Expenses				-	-
2- Accrued Interest and Rent Income				-	-
3- Other Prepaid Expenses	47			207.203	249.184
H- Other Non-current Assets					
1- Effective Foreign Currency Accounts				25.632.235	39.211.885
2- Foreign Currency Accounts				-	-
3- Inventories				-	-
4- Prepaid Taxes and Funds				-	-
5- Deferred Tax Assets				-	-
6- Other Non-current Assets	35			25.632.235	39.211.885
7- Other Non-current Assets Amortization (-)				-	-
8- Provision for Other Non-current Assets (-)				-	-
II- Total Non-current Assets				95.097.646	108.036.301
TOTAL ASSETS (I+II)				2.056.026.002	1.879.699.527

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET

AT DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

LIABILITIES				
III- SHORT TERM LIABILITIES	Note	Audited Current Period (31/12/2016)	Audited Previous Period (31/12/2015)	
A- Borrowings		30.031.438	137.458.200	
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	137.458.200	
B- Payables From Main Operations	19.1	202.020.282	175.054.091	
1- Payables Due to Insurance Operations	19.1	202.020.282	175.054.091	
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		103.375	42.777	
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		102.232	41.634	
6- Due to Other Related Parties		-	-	
D- Other Payables	19.1	44.423.842	37.639.614	
1- Deposits and Guarantees Received		-	-	
2- Due to SSI regarding Treatment Expenses	19.1	4.268.447	6.356.378	
3- Other Payables	19.1	40.155.395	31.283.236	
4- Discount on Other Payables (-)		-	-	
E- Insurance Technical Reserves		1.200.339.440	1.054.437.950	
1- Unearned Premiums Reserve - Net	20	609.668.379	510.667.337	
2- Unexpired Risk Reserves - Net	20	-	16.354.138	
3- Mathematical Reserves - Net		-	-	
4- Outstanding Claims Reserve - Net	41, 20	590.667.604	526.216.475	
5- Provision for Bonus and Discounts - Net	20	3.457	1.200.000	
6- Other Technical Reserves - Net		-	-	
F- Taxes and Other Liabilities and Relevant Provisions		17.877.553	13.187.297	
1- Taxes and Dues Payable		16.343.481	11.743.271	
2- Social Security Premiums Payable	23.1	1.529.095	1.439.049	
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	-	-	
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	-	-	
7- Provisions for Other Taxes and Liabilities		-	-	
G- Provisions for Other Risks		36.839.062	20.687.893	
1- Provision for Employment Termination Benefits		-	-	
2- Pension Fund Deficit Provision		-	-	
3- Provisions for Costs	19.1, 23.4	36.839.062	20.687.893	
H- Deferred Income and Expense Accruals	19.1	53.979.313	35.555.383	
1- Deferred Commission Income	19.1, 17.16	53.979.313	35.555.383	
2- Expense Accruals		-	-	
3- Other Deferred Income		-	-	
I- Other Short Term Liabilities		235	235	
1- Deferred Tax Liability		-	-	
2- Inventory Count Differences		-	-	
3- Other Short Term Liabilities		235	235	
III - Total Short Term Liabilities		1.585.614.540	1.474.063.440	

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT DECEMBER 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

LIABILITIES				
IV- LONG TERM LIABILITIES	Note	Audited Current Period (31/12/2016)	Audited Previous Period (31/12/2015)	
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		61.232.504	50.522.208	
1- Unearned Premiums Reserve - Net		-	-	
2- Unexpired Risk Reserves - Net		-	-	
3- Mathematical Reserves - Net	17, 20	1.526.588	1.910.495	
4- Outstanding Claims Reserve - Net		-	-	
5- Provision for Bonus and Discounts - Net		-	-	
6- Other Technical Reserves - Net	20	59.705.916	48.611.713	
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		6.335.367	6.474.170	
1- Provision for Employment Termination Benefits	22	6.335.367	6.474.170	
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		67.567.871	56.996.378	

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

SHAREHOLDERS EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Audited Current Period (31/12/2016)	Audited Previous Period (31/12/2015)
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		95.377.201	95.377.201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		89.231.523	83.194.917
1- Legal Reserves		83.064.172	83.064.172
2- Statutory Reserves		62	62
3- Extraordinary Reserves		26.666	26.666
4- Special Funds (Reserves)	22, 34,5	13.343.668	6.050.009
5- Revaluation of Financial Assets	11,6, 16,1	(7.203.045)	(5.945.992)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		13.151	13.151
1- Previous Years' Profits		13.151	13.151
E- Previous Years' Losses (-)		(135.945.560)	-
1- Previous Years' Losses		(135.945.560)	-
F- Net Profit of the Period		48.167.276	(135.945.560)
1- Net Profit of the Period		-	-
2- Net Loss of the Period (-)		48.167.276	(135.945.560)
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		402.843.591	348.639.709
Total Liabilities and Shareholders' Equity (III+IV+V)		2.056.026.002	1.879.699.527

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

I-TECHNICAL PART	Note	Audited	
		Current Period 01/01/2016-31/12/2016	Previous Period 01/01/2015-31/12/2015
A- Non-Life Technical Income		1.216.166.108	1.268.490.436
1- Earned Premiums (Net of Reinsurer Share)		1.078.668.207	1.157.208.324
1.1 - Written Premiums (Net of Reinsurer Share)	24	1.166.586.770	1.104.665.096
1.1.1 - Gross Written Premiums (+)		1.895.558.578	1.622.170.866
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(709.573.405)	(511.068.367)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(19.398.403)	(6.437.403)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(104.272.701)	58.678.573
1.2.1 - Unearned Premiums Reserve (-)	20	(164.456.866)	(456.698)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	52.382.089	67.375.527
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	7.802.076	(8.240.256)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		16.354.138	(6.135.345)
1.3.1 - Unexpired Risks Reserve (-)	20	23.448.522	(4.273.891)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	(7.094.384)	(1.861.454)
2- Investment Income Transferred from Non-Technical Part		114.366.772	101.800.005
3- Other Technical Income (Net of Reinsurer Share)		3.376.718	3.708.492
3.1 - Gross Other Technical Income (+)		3.376.718	3.708.492
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		19.754.411	5.773.615
B- Non-Life Technical Expense (-)		(1.096.010.542)	(1.417.017.569)
1- Total Claims (Net of Reinsurer Share)		(725.941.866)	(1.032.037.678)
1.1- Claims Paid (Net of Reinsurer Share)		(658.211.656)	(811.385.147)
1.1.1 - Gross Claims Paid (-)		(861.382.170)	(940.777.726)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	203.170.514	129.392.579
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(67.730.210)	(220.652.531)
1.2.1 - Outstanding Claims Reserve (-)		(301.522.565)	(253.372.909)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	233.792.355	32.720.378
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		1.196.543	(1.200.000)
2.1 - Bonus and Discount Reserve (-)	20	(518.909)	(1.200.000)
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	20	1.715.452	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(11.094.203)	(10.034.625)
4- Operating Expenses (-)	32	(307.052.324)	(333.082.676)
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 (-)		(53.118.692)	(40.662.590)
6.1- Gross Other Technical Expenses (-)		(53.118.692)	(40.662.590)
6.2- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		120.155.566	(148.527.133)
D- Life Technical Income		157.641	250.360
1- Earned Premiums (Net of Reinsurer Share)		7.621	12.184
1.1 - Written Premiums (Net of Reinsurer Share)	24	7.480	12.322
1.1.1 - Gross Written Premiums (+)		7.480	15.288
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	-	(2.966)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	20	141	(138)
1.2.1- Unearned Premium Reserves (-)		141	35
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	17.16	-	(173)
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		150.020	241.489
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	(3.313)
4.1- Gross Other Technical Income (+/-)		-	(3.313)
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

I-TECHNICAL PART	Note	Audited	Audited
		Current Period 01/01/2016-31/12/2016	Previous Period 01/01/2015-31/12/2015
E- Life Technical Expense		2.521.779	(461.838)
1- Total Claims (Net of Reinsurer Share)		2.201.957	(267.741)
1.1- Claims Paid (Net of Reinsurer Share)		(1.077.124)	(473.468)
1.1.1- Gross Claims Paid (-)		(1.077.124)	(473.468)
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	3.279.081	205.727
1.2.1 - Outstanding Claims Reserve (-)		3.279.081	205.727
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) (+/-)		383.696	61.918
3.1- Mathematical Reserves (-)	17.2	383.907	61.707
3.1.1- Actuarial Mathematical Reserve (-)		338.300	259.973
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		45.607	(198.266)
3.2- Reinsurer Share of Mathematical Reserves (+)		(211)	211
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		(211)	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)	(256.015)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		2.679.420	(211.478)
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)		-	-

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

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

I-NON TECHNICAL PART	Note	Audited	
		Current Period	Previous Period
		01/01/2016-31/12/2016	01/01/2015-31/12/2015
C- Non Life Technical Profit (A-B)		120.155.566	(148.527.133)
F- Life Technical Profit (D-E)		2.679.420	(211.478)
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		122.834.986	(148.738.611)
K- Investment Income		185.070.492	232.885.908
1- Income From Financial Investment	26	85.986.105	43.907.815
2- Income from Sales of Financial Investments	26	3.730.405	5.468.124
3- Revaluation of Financial Investments	26	12.929.687	6.917.919
4- Foreign Exchange Gains	36	77.269.832	138.098.133
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building		-	-
8- Income from Derivatives	13	5.154.463	38.493.917
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(198.760.576)	(234.712.893)
1- Investment Management Expenses (including interest) (-)		-	-
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)		(521.260)	-
4- Investment Income Transferred to Life Technical Part (-)		(114.366.772)	(101.800.005)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(70.182.459)	(123.847.258)
7- Depreciation Expenses (-)	5	(13.690.085)	(9.065.630)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(60.977.626)	14.620.036
1- Provisions Account (+/-)	47	(28.295.599)	(12.181.358)
2- Discount account (+/-)		-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	499.332	622.352
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35	(12.070.498)	30.328.559
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	748.524	453.747
8- Other Expense and Losses (-)	47	(21.856.902)	(5.521.719)
9- Prior Period Income	47	-	918.455
10- Prior Period Losses (-)	47	(2.483)	-
N- Net Profit / (Loss)		48.167.276	(135.945.560)
1- Profit /(Loss) Before Tax		48.167.276	(135.945.560)
2- Corporate Tax Liability Provision (-)	35	-	-
3- Net Profit (Loss)		48.167.276	(135.945.560)
4- Inflation Adjustment Account		-	-

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

AKSİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2016

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

CUURET PERIOD	CURRENT PERIOD										Total
	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Reserves and Retained Earnings	Other	Net Profit/(Loss) for the Period	
I - Closing Balance of Prior Period (31/12/2015)	306.000.000	-	(5.945.992)	-	-	83.064.172	62	101.453.876	(135.945.560)	13.151	348.639.709
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2016)	306.000.000	-	(5.945.992)	-	-	83.064.172	62	101.453.876	(135.945.560)	13.151	348.639.709
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	(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)	-	-	-	-	-	-	-	-	48.167.276	-	48.167.276
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	48.167.276	(135.932.409)	402.843.591

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 PERIOD JANUARY 1 - DECEMBER 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ STATEMENT OF CHANGES IN EQUITY (Audited)											
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 (31/12/2014)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
II - Amendments in Accounting Policy											
III - Current Balance (I + II) (01/01/2015)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
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)	-	-	(5.107.875)	-	-	-	-	-	-	-	(5.107.875)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	5.672.045	-	-	5.672.045
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	(135.945.560)	-	(135.945.560)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	(23.959.800)	(23.959.800)
J- Transfer	-	-	-	-	-	2.399.021	-	4.248.661	(30.607.482)	23.959.800	-
II- Closing Balance (31/12/2015) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(5.945.992)	-	-	83.064.172	62	101.453.876	(135.945.560)	13.151	348.639.709

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOW FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2016

(Tüm tutarlar aksi belirtilmedikçe Türk Lirası (TL) olarak gösterilmiştir.)

AKSİGORTA ANONİM ŞİRKETİ CASH FLOW STATEMENT

	Note	Audited 31/12/2016	Audited 31/12/2015
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		1,430.194.322	1.295.514.052
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(1.170.546.112)	(1.258.597.869)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		259.663.294	36.916.183
8. Interest payments (-)		-	-
9. Income tax payments (-)		(11.855.334)	(5.241.964)
10. Other cash inflows		63.341.115	183.594.013
11. Other cash outflows (-)		(192.533.189)	(41.621.676)
12. Net cash generated from the operating activities	39	118.615.886	173.646.556
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	1.034.352
2. Purchase of tangible assets (-)		(5.704.268)	(6.268.022)
3. Acquisition of financial assets (-)		(190.576.179)	(413.514.950)
4. Sale of financial assets		5.223.094	(457.284)
5. Interest received		116.116.204	65.964.629
6. Dividends received		-	-
7. Other cash inflows		37.954.357	75.826.712
8. Other cash outflows (-)		(158.389.651)	(152.223.924)
9. Net cash generated from the investing activities	39	(195.268.159)	(429.638.487)
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 (-)		-	(23.959.800)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	-	(23.959.800)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		7.087.373	14.250.875
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(69.564.899)	(265.700.856)
F. Cash and cash equivalents at the beginning of the period	14	550.505.477	816.206.333
G. Cash and cash equivalents at the end of the period (E+F)	14	480.940.578	550.505.477

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

(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 December 31, 2016. 38,02% (December 31, 2015: %38,02) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.14).

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 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 Meclis-i Mebusan Cad. No: 67 34427 Fındıklı / İstanbul, has moved to address ‘Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye – İstanbul’ as of October 20, 2014.

1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has also 16 district offices of which three of them are in İstanbul (İstanbul 1, İstanbul 2 and İstanbul 3), and one each in Adana, Ankara, Antalya, Bursa, İzmir, Samsun, Denizli, Trabzon, Trakya, Gaziantep, Eskişehir, Kayseri and Kocaeli.

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, 2016	January 1 - December 31, 2015
Top executive	8	9
Manager and assistant manager	103	108
Specialist/Executives	493	560
Total	604	678

1.6 Remuneration and fringe benefits provided to top management

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 5.218.318 in total for the period January 1 – December 31, 2016 (January 1- December 31, 2015: TL 5.914.944)

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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements as of December 31, 2016.

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, 2016 are approved and authorized for issuance as of February 13, 2017 by the Board of Directors and signed by Chief Executive Officer Uğur Gülen, Chief Financial Officer Osman Akkoca, Accounting Manager Seza Tanınmış Özgür and Actuary Halil Kolbaşı. Detailed information about this subsequent events is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

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

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

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of December 31, 2016 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").

As of January 1, 2008, the Company accounts for its operations in accordance with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") issued by Turkish Accounting Standards Board ("TASB") and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting. With reference to the notice of Treasury No. 9 dated February 18, 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2009 and published in the Official Gazette numbered 27097. According to the temporary Article 2 of the above mentioned Communiqué, associations except insurance, reinsurance and pension companies are out of scope until March 31, 2010.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

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

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

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

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury’s statement no: 19387 issued on April 4, 2005, the Company’s financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as of December 31, 2015, 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, 2016 is presented in comparison with its balance sheet as of December 31, 2015; income statement, statement of changes in equity and cash flow statement for the interim period between January 1 –December 31, 2016 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the interim period between January 1 - December 31, 2015.

c. Technical Reserves

Unearned Premium Reserve

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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.

The company has calculated its Unexpired Risks Reserve in Compulsory Motor Third Party Liability and General Liability lines using the method in Circular 2016/37. As a result of this new method, there is no unexpired risk reserve in these line of businesses. Had the Company’s calculation were based on the former method, then there would be TL 32.377.318 and TL 2.399.816 Net Unexpired Risk reserve calculated for the Motor Compulsory TPL and General Liability lines consecutively (as of 31 December 2015, Motor Compulsory TPL TL 14.594.181, General TPL TL 1.524.967, Fidelity Guarantee TL 254.959 Net unexpired risk reserve booked. Had the Company calculated based on the new method, there would be no reserve in these line of businesses. (Note20).

Bonuses and rebates reserve

The bonus provisions are the amount that has to be made provision if the Company commits to pay bonus to insureds’ 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 1.718.909 and ceded bonuses and rebates reserve amounting to 1.715.452 at December 31, 2016 (as of 31 December 2015 company has calculated and accounted gross bonus and rebates reserve amounting to 1.200.000 TL, there is no ceded bonus and rebates reserves. (December 31, 2015: None) (Note 20).

Claims provision

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

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

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

Branch	December 31, 2016 Applied Method	December 31, 2015 Applied Method
Motor Crafts Liability	Frequency/Severity	Frequency/Severity
General Liability	Standard Chain	Standard Chain
Financial Losses	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Fire and Natural Disaster	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Air Crafts Liability	Standard Chain	Standard Chain
Credit	Standard Chain	Standard Chain
Water Crafts	Standard Chain	Standard Chain
Air Crafts	Standard Chain	Standard Chain
Accident	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Health	Standard Chain	Standard Chain
Suretyship	Standard Chain	Standard Chain
Transportation	Bornhuetter-Ferguson	Bornhuetter-Ferguson
General Losses	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Motor Own Damage	Bornhuetter-Ferguson	Bornhuetter-Ferguson

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 AS OF DECEMBER 31, 2016

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

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

Branch	Gross Additional Amount	Net IBNR
Facultative Public Liability	1.412.848	1.412.848
General Liability	8.683.996	2.580.450
General Losses	7.116.536	74.961
Fire and Natural Disaster	9.611.632	1.934.857
Accident	65.395	12.719
Financial Losses	670.260	74.538

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, the company has not used the 10% gradual transition rate for the 4th quarter of 2016 in the Compulsory Traffic and General Liability branches since the calculated IBNR amount for the 4th quarter of 2016 were low in comparison with prior quarter.

Had the Company not prefer the mentioned gradual recognition, gross IBNR amount to TL 274.272.711 (Net IBNR: TL 236.435.329) as of December 31, 2015.

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 (clean-cut or run-off) 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, the Company has not deducted any claim amount from equalization reserve.

The Company has calculated TL 59.705.916. (December 31, 2015: TL 48.611.713) of equalization reserve as of December 31, 2016 (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).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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 December 31, 2015, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of December 31, 2016 are TL 26.122.486 (December 31, 2015: TL 21.786.353) and TL 4.890.115 (December 31, 2015: TL 7.954.324) 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, 2016					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	2.855.634	(913.833)	1.941.801	1.224.744	(3.685.171)	(2.460.427)
Transportation	1.593.204	(574.269)	1.018.935	14.289	(1.104.599)	(1.090.310)
Accident	-	-	-	-	(11.222)	(11.222)
Motor Own Damage	145.845.053	(11.197)	145.833.856	20.184.291	1.737	20.186.028
Water Crafts	3.775	(2.265)	1.510	-	(29.608)	(29.608)
Voluntary Financial Liability	93.160	-	93.160	11.900	-	11.900
General Losses	282.667	(201.109)	81.558	274.088	(881.779)	(607.691)
Motor Crafts Liability	2.425.986	(467)	2.425.518	633.315	3.142	636.457
Suretyship	2.524	(1.262)	1.262	327.495	(218.685)	108.810
General Liability	27.130	(11.323)	15.806	-	-	-
Total	153.129.132	(1.715.725)	151.413.407	22.670.122	(5.926.185)	16.743.937

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, 2016, 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 21.796.429. (December 31, 2015: TL 21.195.854), 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 6.796.115 (December 31, 2015: TL 9.860.324). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 57.347.311 (December 31, 2015: TL 38.864.823 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 AS OF DECEMBER 31, 2016

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

[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](#)

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

[k. Corporate Taxation and Deferred Tax](#)

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

[Corporate Tax](#)

Corporation tax is payable at a rate of 20% on the total income of the Company and its Subsidiaries registered in Turkey in 2016 (2015: 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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

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

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

As of December 31, 2016, the Company has booked the deferred tax assets in amounting to TL 25.632.235 (December 31, 2015: TL 39.211.885) and TL 13.030.711 (December 31, 2015: TL 28.525.528) is calculated over the statutory tax losses carried forward. 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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

[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).

[2.1.5 Valuation method\(s\) used in the presentation of financial statements](#)

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

[2.1.6 The new standards, amendments and interpretations](#)

[The new standards, amendments and interpretations](#)

The accounting policies adopted in preparation of the financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

[TFRS 11 Acquisition of an Interest in a Joint Operation \(Amendment\)](#)

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

[TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation \(Amendments to TAS 16 and TAS 38\)](#)

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

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

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

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

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

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

TAS 1: Disclosure Initiative (Amendments to TAS 1)

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have significant impact on the financial position or performance of the Company.

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

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

iii) *The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

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

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

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

IFRS 4 Insurance Contracts (Amendments)

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

- a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial Instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing Financial Instruments Standard IAS 39.

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

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.2 Consolidation

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

2.3 Segment Reporting

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

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of December 31, 2016 and December 31, 2015.

2.5 Foreign Currency Translation

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

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

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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
Buildings	50 years
Vehicles	5 years
Fixtures	10 years
Leasehold Improvements	5 years

2.7 Investment Properties

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

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

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

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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, 2016: 5 years - December 31, 2015: 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, 2016, the Company has no financial assets at fair value through profit and loss (December 31, 2015: None).

Effective interest method

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

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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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 insureds 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.

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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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. During the period between January 1- December 31, 2016, total income resulting from short-term swap contracts' market valuation has been accounted under "Income from derivatives" in the income statement. As of December 31, 2016, the Company has no derivative financial instruments. (December 31, 2015: None).

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 December 31, 2016, the Company's nominal capital is TL 306.000.000 (December 31, 2015: TL 306.000.000). Share capital is represented by 30.600.000.000 of equity shares having a nominal amount of TL 0,01 each. The share capital structure of the Company is as follows:

	December 31, 2016		December 31, 2015	
	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 December 31, 2016, Company has TL 500.000.000 registered share capital ceiling. (December 31, 2015: 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 AS OF DECEMBER 31, 2016

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

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.

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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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 “Communiqué 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 communiqué 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 “Communiqué numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2016 accounting period as TL 19.398.403 (January 1 - December 31, 2015: TL 6.437.403) and an unearned premium reserve amounting to TL 7.802.076 (January 1 - December 31, 2015: TL 8.240.256) for the period ended as of January 1 - December 30, 2015; 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.

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2015: None).

2.17 Investment Contracts without Discretionary Participation Features

None (December 31, 2015: None).

2.18 Borrowings

None (December 31, 2015: 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).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

2.21 Accounting for revenues

Written Premium and Commission

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

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

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

Interest income and expense

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

Dividend income

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

2.22 Finance Lease - the Company as lessee

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

Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As at December 31, 2016, the Company has paid in advance in amounting to TL 2.332.210. As at December 31, 2016, amount of TL 46.053.798 (USD 13.086.440), the maturity of outstanding operational lease liability is between January 1, 2017 - May 5, 2024 (December 31, 2015: TL 40.772.626).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

2.23 Profit Share Distribution

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

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

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

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

2.24 Hedge Accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company's financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company's financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for exchange rate has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. In the case of expectation of estimated transaction's end, accumulated gain or loss recognized under equity has been accounted as current period's profit or loss in the financial statements. Effectiveness of hedge transaction has been measured and evaluated in each reporting period. As of December 31, 2016 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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

(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, 2016 and December 31, 2015, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.26 Foreign currency transactions

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

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

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

	December 31, 2016		December 31, 2015	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	3,5192	3,7099	2,9076	3,1776
Selling rate	3,5308	3,7222	2,9128	3,1833

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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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.

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 2016

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Reinsurance Company 2015

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

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:

	December 31, 2016			December 31, 2015		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Total Claims Liability ^(*)						
Fire and Natural Disaster	58.561.142	(35.632.653)	22.928.489	43.265.040	(25.489.043)	17.775.997
Transportation	9.128.576	(4.552.067)	4.576.509	11.472.082	(7.868.869)	3.603.213
Accident	3.013.314	(1.018.001)	1.995.313	2.449.642	(609.116)	1.840.526
Motor Own Damage	35.323.147	(73)	35.323.074	37.042.070	(370.444)	36.671.626
Air Crafts	935.403	(935.405)	(2)	46.461	(46.460)	1
Water Crafts	2.708.636	(2.163.447)	545.189	3.035.112	(2.495.834)	539.278
General Losses	71.277.063	(65.491.998)	5.785.065	63.256.558	(58.090.702)	5.165.856
Motor Crafts Liability	371.577.486	(333.775)	371.243.711	157.376.989	(1.835.327)	155.541.662
Air Crafts Liability	2.270.711	(2.270.388)	323	3.088.695	(3.088.609)	86
General Liability	109.507.393	(60.070.858)	49.436.535	121.560.785	(73.688.451)	47.872.334
Financial Losses	7.873.589	(3.645.333)	4.228.256	6.687.558	(542.459)	6.145.099
Legal Protection	86.176	-	86.176	305.234	-	305.234
Credit	3.747.859	(3.562.336)	185.523	4.466.852	(4.262.391)	204.461
Health	25.217.633	(73.216)	25.144.417	23.979.802	(30.093)	23.949.709
Suretyship	31.992.022	(30.949.181)	1.042.841	1.821.097	(1.545.760)	275.337
Life	3.695.056	-	3.695.056	3.900.783	-	3.900.783
Total	736.915.206	(210.698.731)	526.216.475	483.754.760	(179.963.558)	303.791.202

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

Outstanding Claim and Compensation Provision:

	December 31, 2016				December 31, 2015		
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(41.436.267)	753.155.571	(392.099.143)	361.056.428	495.935.877	(176.315.716)	319.620.161
Claim Provisions ^(*)	(26.293.943)	281.587.144	(52.391.943)	229.195.201	237.284.273	(34.383.015)	202.901.258
Clean-cut Effect ^(**)	-	-	-	-	-	-	-
Non-life Total	(67.730.210)	1.034.742.715	(444.491.086)	590.251.628	733.220.150	(210.698.731)	522.521.419
Life	3.279.081	415.975	-	415.975	3.695.056	-	3.695.056
Grand Total	(64.451.129)	1.035.158.690	(444.491.086)	590.667.603	736.915.206	(210.698.731)	526.216.475

	December 31, 2015				December 31, 2014		
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(102.184.640)	495.935.877	(176.315.716)	319.620.161	350.017.763	(132.582.242)	217.435.521
Claim Provisions ^(*)	(120.453.096)	237.284.273	(34.383.015)	202.901.258	129.829.478	(47.381.316)	82.448.162
Clean-cut Effect ^(**)	1.985.205	-	-	-	-	-	-
Non-life Total	(220.652.531)	733.220.150	(210.698.731)	522.521.419	479.847.241	(179.963.558)	299.883.683
Life	205.727	3.695.056	-	3.695.056	3.900.783	-	3.900.783
Grand Total	(220.446.804)	736.915.206	(210.698.731)	526.216.475	483.748.024	(179.963.558)	303.784.466

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

^(**) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized 2014 premium and claims portfolio outputs by December 31, 2014. As per the same agreement, portfolio inputs are also made in 2015. Effect of 2015 portfolio input has influenced fiscal year Ceded Reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision.

	31 Aralık 2016			31 Aralık 2015		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of Period	495.935.877	(176.315.716)	319.620.161	350.017.763	(132.582.242)	217.435.521
Opened in the Period	1.119.678.988	(418.953.945)	700.725.043	1.087.169.308	(173.126.053)	914.043.255
Paid from Current Period (-)	(638.773.121)	150.476.507	(488.296.614)	(753.000.955)	103.514.063	(649.486.892)
Paid from Previous Period (-)	(223.686.173)	52.694.007	(170.992.164)	(188.250.239)	25.878.516	(162.371.723)
Period End						
Reported Claims	753.155.571	(392.099.145)	361.056.426	495.935.877	(176.315.716)	319.620.161
Life	415.975	-	415.975	3.695.056	-	3.695.056
IBNR	281.587.144	(52.391.943)	229.195.201	237.284.273	(34.383.015)	202.901.258
Total	1.035.158.690	(444.491.088)	590.667.602	736.915.206	(210.698.731)	526.216.475

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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, 2016:

	01.01.2010	01.01.2011	01.01.2012	01.01.2013	01.01.2014	01.01.2015	01.01.2016	
Accident period	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	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	768.025.295	853.209.914	971.572.386	861.238.384	1.077.120.587	930.357.753	847.986.517	6.309.510.840

Gross claim development table prepared on the principles of incurred claims by December 31, 2015:

	01.01.2009	01.01.2010	01.01.2011	01.01.2012	01.01.2013	01.01.2014	01.01.2015	
Accident period	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	Gross Claim
Claim realized in the accident period	587.261.462	555.724.384	634.089.345	693.491.148	624.250.996	760.604.058	771.795.503	4.627.216.896
1 year later	108.868.016	104.221.177	112.230.720	131.826.093	127.657.140	200.165.195	-	784.968.341
2 years later	27.909.622	25.291.886	27.542.224	51.810.191	60.066.646	-	-	192.620.568
3 years later	24.081.170	18.035.054	26.315.412	49.652.171	-	-	-	118.083.808
4 years later	19.875.125	20.431.408	27.360.070	-	-	-	-	67.666.603
5 years later	20.949.923	23.916.662	-	-	-	-	-	44.866.585
6 years later	26.140.273	-	-	-	-	-	-	26.140.273
Total Gross Claims	815.085.591	747.620.571	827.537.771	926.779.602	811.974.781	960.769.253	771.795.503	5.861.563.074

4.2.1 Capital risk management and capital requirement

The Company's main purpose in capital management is to maintain its going concern status as an income yielding company and to protect shareholder and corporate partners' benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008. As of June 30, 2016, the Company's required capital is TL 354.059.655 (December 31, 2015: TL 355.355.630). As of June 30, 2016, the Company's capital is TL 40.044.142 higher than required capital amount. (December 31, 2015: TL 41.895.794).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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, 2016 and December 31, 2015 are presented in details in Note 12.4.

Sensitivity to exchange rate risk

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

	December 31, 2016		December 31, 2015	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	5.809.105	539.385	12.086.316	1.507.937
Profit / Loss (Decrease)	(5.809.105)	(539.385)	(12.086.316)	(1.507.937)

Interest rate risk

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

	December 31, 2016	December 31, 2015
	Effect on profit and profit reserves	
Total		TL
Market interest rate increase / (decrease)		
+%1	(4.344.704)	(2.399.153)
-%1	5.529.428	2.527.760
Financial assets available for sale		Effect on profit and profit reserves
Market interest rate increase / (decrease)		TL
+%1	(38.539)	(2.328.770)
-%1	51.966	2.455.332
+%1 Financial Assets with Risks on Policy Holders	(4.305.932)	(70.383)
-%1 Financial Assets with Risks on Policy Holders	5.437.317	72.428

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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, 2015.

	December 31, 2016	December 31, 2015
Total	Effect on Financial assets available for sale	
Price increase / (decrease)	TL	
+%10	86.390.940	67.830.066
-%10	(86.390.940)	(67.830.066)

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, 2016, 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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Liquidity risk table

December 31, 2016

	Up to 1 month	1 - 3 month	3 months- 1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	141.435.488	321.734.673	-	-	-	18.028.383	481.198.544
Financial Assets Available for Sale	378.786.360	11.068.599	46.032.680	142.741.726	74.677.041	210.601.995	863.908.401
Financial Assets Held for Trading	-	-	-	-	-	-	-
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	-	-	-	-	-	25.632.235	25.632.235
Total Assets	656.725.297	524.679.024	330.944.705	145.479.114	74.677.041	323.520.821	2.056.026.002
Financial Liabilities	-	30.031.438	-	-	-	-	30.031.438
Payables From Main Operations	-	-	202.020.282	-	-	-	202.020.282
Due to Related Parties	102.232	-	1.143	-	-	-	103.375
Other Payables	-	44.424.077	-	-	-	-	44.424.077
Insurance Technical Reserves	268.408.542	469.870.626	462.060.272	-	-	-	1.200.339.440
Taxes and Other Liabilities and Provisions	-	17.877.553	-	-	-	-	17.877.553
Cost Expense Provisions	-	-	36.839.062	-	-	-	36.839.062
Prepaid Income and Expense Accruals	7.576.311	12.899.065	33.503.937	-	-	-	53.979.313
Long Term Insurance Technical Reserves	-	-	-	1.526.588	59.705.916	-	61.232.504
Provisions for Other Risks	-	-	-	-	-	6.335.367	6.335.367
Shareholders' Equity	-	-	-	-	-	402.843.591	402.843.591
Total Liabilities and Shareholders' Equity	276.087.085	575.102.759	734.424.696	1.526.588	59.705.916	409.178.958	2.056.026.002
Liquidity Surplus / (Deficit)	380.638.212	(50.423.735)	(403.479.991)	143.952.526	14.971.125	(85.658.137)	-

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Liquidity risk table

December 31, 2015

	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	273.064.909	272.601.151	-	-	-	5.637.702	551.303.762
Financial Assets Available for Sale	357.294.790	-	86.957.546	62.864.108	81.628.927	89.555.287	678.300.658
Financial Assets Held for Trading	-	-	-	-	-	-	-
Investments with Risks on Policy Holders	-	-	5.259.858	2.493.421	-	-	7.753.279
Receivables From Main Operations	104.060.353	133.507.643	160.368.346	-	-	-	397.936.342
Due from Related Parties	-	-	80.678	-	-	-	80.678
Other Receivables	-	7.315.908	-	-	-	-	7.315.908
Prepaid Expenses and Income Accruals	17.216.808	28.842.530	77.454.557	-	-	-	123.513.895
Other Current Assets	216.740	-	5.241.964	-	-	-	5.458.704
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	26.619.443	26.619.443
Intangible Fixed Assets	-	-	-	-	-	33.994.538	33.994.538
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	249.184	-	-	249.184
Other Non-current Assets	-	-	-	-	-	39.211.885	39.211.885
Total Assets	751.853.600	442.267.232	335.362.949	65.606.713	81.628.927	202.980.106	1.879.699.527
Payables From Main Operations	-	137.458.200	-	-	-	-	137.458.200
Due to Related Parties	-	-	175.054.091	-	-	-	175.054.091
Other Payables	41.634	-	1.143	-	-	-	42.777
Insurance Technical Reserves	-	37.639.849	-	-	-	-	37.639.849
Taxes and Other Liabilities and Provisions	254.707.543	403.278.354	396.452.053	-	-	-	1.054.437.950
Cost Expense Provisions	-	13.187.297	-	-	-	-	13.187.297
Prepaid Income and Expense Accruals	-	-	20.687.893	-	-	-	20.687.893
Long Term Insurance Technical Reserves	4.990.405	8.496.425	22.068.553	-	-	-	35.555.383
Provisions for Other Risks	-	-	-	1.910.495	48.611.713	-	50.522.208
Other Long Term Liabilities	-	-	-	-	-	6.474.170	6.474.170
Shareholders' Equity	-	-	-	-	-	348.639.709	348.639.709
Total Liabilities and Shareholders' Equity	259.739.582	600.060.125	614.263.733	1.910.495	48.611.713	355.113.879	1.879.699.527
Liquidity Surplus / (Deficit)	492.114.018	(157.792.893)	(278.900.784)	63.696.218	33.017.214	(152.133.773)	-

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Categories of Financial Assets:

	December 31, 2016		December 31, 2015	
	Book Value	Fair Value	Book Value	Fair Value
Current Financial Assets				
Financial Assets Available for Sale	863.908.401	863.908.401	678.300.658	678.300.658
Financial Assets Held for Trading	-	-	-	-
Financial Investments with Risks on Policy Holders	2.530.185	2.530.185	7.753.279	7.753.279
Non-Current Financial Assets				
Affiliates	30.116.653	30.116.653	30.116.653	30.116.653
Impairment Provision for Affiliates	(30.116.653)	(30.116.653)	(22.155.402)	(22.155.402)
Total Financial Assets	866.438.586	866.438.586	694.015.188	694.015.188

Fair value of financial assets

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

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

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

	December 31, 2016	Category 1	Category 2	Category 3
	Financial Assets Available for sale	863.908.401	863.908.401	-
Government Bonds & Treasury Bills	779.862.903	779.862.903	-	-
Investment Funds	84.045.498	84.045.498	-	-
Financial Investments with Risks on Policy Holders	2.530.185	2.530.185	-	-
Total	866.438.586	866.438.586	-	-
	December 31, 2015	Category 1	Category 2	Category 3
	Financial Assets Available for sale	678.079.769	678.079.769	-
Government Bonds & Treasury Bills	610.911.053	610.911.053	-	-
Investment Funds	67.168.716	67.168.716	-	-
Financial Investments with Risks on Policy Holders	7.753.279	7.753.279	-	-
Total	685.833.048	685.833.048	-	-

(*) Company has ben accountant rts 6 affiliates at cost value and unlisted equity shares amounting to TL 220.889 (December 31, 2015: TL 220.889) has been accounted at cost value as of December 31, 2016

(**) The Company has booked the impairment provision for Merter BV, one of the affiliates, amounting to TL 30.116.653 in its financial statements as of December 31, 2016 (December 31, 2015: TL 22.155.402).

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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 approximate 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 the reporting to the chief operating decision-maker in the determination of segments and segments those constitute premium production and net technical income are determined as a separate operating segment.

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Segment results for the period ended at December 31, 2016:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	161.889.848	21.350.045	573.751.472	186.149.006	138.945.820	215.669.398	6.830.757	105.699.763	157.640	-	1.216.323.749
1- Earned Premiums (Net of Reinsurer Share)	135.908.990	18.056.549	521.956.020	164.010.168	118.229.765	18.984.264	6.825.540	94.696.911	7621	-	1.078.675.828
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 Reinsurers Shares and Reserves Carried Forward) (+/-)	1130.801	(61.255)	(68.025.740)	(76.638.313)	(6.463.133)	(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)(+/-)	-	-	-	14.594.182	1.759.956	-	-	-	-	-	16.354.138
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 Reinsurance 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
TECHNICAL EXPENSES	(130.122.697)	(13.371.629)	(543.206.348)	(208.886.138)	(80.430.211)	(13.857.532)	(6.538.791)	(99.597.195)	2.521.778	-	(1.093.488.763)
1 - Total Claims (Net of Reinsurer Share)	(64.237.597)	(8.435.672)	(384.131.927)	(175.729.540)	(38.305.863)	(7.852.630)	(4.462.472)	(42.786.164)	2.201.956	-	(723.739.909)
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)	(34.156.587)	(21.849.338)	(929.423)	1.086.904	21.418.560	3.279.082	-	(64.451.129)
2 - Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	-	(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)	-	(18.060)	(121.299)	-	-	-	-	(1.094.203)
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)	(3.066.642)	(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	17.067.299	-	-	101.917.349
4.3 - General Administrative Expenses	(26.236.817)	(1.916.172)	(33.867.491)	(12.438.111)	(1.508.370)	(4.161.156)	(725.651)	(22.529.194)	(63.874)	-	(113.446.836)
4.4 - Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5 - Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	383.696	-	383.696
6 - Other Technical Expenses (Net of Reinsurer Share) (-)	(6.409.191)	(127.747)	(33.509.436)	(988.915)	(1.596.797)	(263.819)	(47.574)	(10.165.213)	-	-	(53.118.692)
	31.767.151	7.958.416	30.545.124	(22.737.132)	58.515.609	7.711.866	291.966	6.102.568	2.679.418	-	122.834.986
Financial income	-	-	-	-	-	-	-	-	-	185.070.492	185.070.492
Depreciation expense	-	-	-	-	-	-	-	-	-	(13.690.085)	(13.690.085)
Provisions account	-	-	-	-	-	-	-	-	-	(28.295.599)	(28.295.599)
Tax expenses	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(185.070.491)	(185.070.491)
Net Profit / (Loss)	31.767.151	7.958.416	30.545.124	(22.737.132)	58.515.609	7.711.866	291.966	6.102.568	2.679.418	(74.667.710)	48.167.276

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Segment results for the period ended at December 31, 2015:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	154.937.474	19.570.441	497.099.094	170.674.943	162.083.919	20.795.333	39.502.123	203.827.109	250.360	-	1.268.740.796
1-Earned Premiums (Net of Reinsurer Share)	129.973.527	16.262.346	466.406.234	161.026.913	135.678.386	17.959.107	37.435.583	192.466.228	12.184	-	1.157.220.508
1.1- Premiums (Net of Reinsurer Share)	135.980.198	16.577.440	474.905.709	98.524.696	133.400.593	20.099.602	38.661.024	186.515.834	12.322	-	1.104.677.418
1.2- Changes in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(6.006.671)	(315.094)	(8.499.475)	72.187.962	(1.272.607)	(2.140.495)	(1.225.441)	5.950.394	(138)	-	58.678.435
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(9.685.745)	3.550.400	-	-	-	-	-	(6.135.345)
2- Investment Income transferred from Non-Technical Part	21.663.041	2.840.220	26.508.721	8.337.420	26.335.662	2.687.520	2.066.540	11.360.881	241.489	-	102.041.494
3- Other Technical Income (Net of Reinsurance Share)	-	-	3.709.268	(935)	159	-	-	-	(3.313)	-	3.705.179
4- Accrued Subrogation and Salvage Income (+)	3.300.906	467.875	474.871	1.311.545	69.712	148.706	-	-	-	-	5.773.615
TECHNICAL EXPENSES	(135.015.733)	(9.544.754)	(492.564.456)	(448.966.142)	(75.059.326)	(12.296.372)	(39.762.867)	(203.807.919)	(461.838)	-	(1.417.479.407)
1- Total Claims (Net of Reinsurer Share)	(69.966.644)	(5.051.148)	(356.566.925)	(404.311.299)	(20.389.285)	(8.038.866)	(29.971.243)	(137.722.268)	(267.741)	-	(1.032.305.419)
1.1- Claims Paid (Net of Reinsurer Share)	(64.834.153)	(4.071.940)	(358.248.889)	(190.254.308)	(19.543.979)	(8.285.207)	(29.619.113)	(136.527.561)	(473.468)	-	(811.858.615)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(5.152.491)	(979.208)	1.681.964	(214.056.994)	(845.306)	246.341	(352.130)	(1194.707)	205.727	-	(220.446.804)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	-	-	-	-	(1.200.000)	-	-	(1.200.000)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(9.310.470)	(331)	(348.559)	-	(171.455)	(203.810)	-	-	-	-	(10.034,625)
4- Operating Expenses	(50.025.515)	(4.417.059)	(107.451.226)	(43.252.800)	(53.579.162)	(3.891.585)	(9.758.182)	(60.707.147)	(256.015)	-	(333.338.691)
4.1- Production Commissions (-)	(61.994.951)	(5.380.217)	(77.570.031)	(28.128.821)	(51.453.060)	(10.180.605)	(8.945.510)	(35.150.019)	-	-	(278.785.214)
4.2- Reinsurance Commissions (+)	36.145.466	2.722.447	355.868	198.857	9.360.350	10.386.460	27.246	6.333	2.806	-	59.205.833
4.3- General Administrative Expenses	(241.76.030)	(1.759.289)	(30.237.063)	(15.322.836)	(11.486.452)	(4.097.440)	(839.918)	(25.583.461)	(258.821)	-	(113.761.310)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	(5.683.104)	(76.216)	(28.197.746)	(1.402.043)	(919.424)	(162.111)	(33.442)	(4.178.504)	61.918	-	(40.662.590)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	19.921.741	10.025.687	4.534.638	(278.291.199)	870.24.593	8.498.961	(260.744)	19.190	(211.478)	-	(148.738.611)
Investment income	-	-	-	-	-	-	-	-	-	232.885.908	232.885.908
Depreciation expense	-	-	-	-	-	-	-	-	-	(9.065.630)	(9.065.630)
Provisions account	-	-	-	-	-	-	-	-	-	(12.181.358)	(12.181.358)
Tax expense	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(225.647.263)	(225.647.263)
Other	-	-	-	-	-	-	-	-	-	26.801.394	26.801.394
Net Profit / (Loss)	19.921.741	10.025.687	4.534.638	(278.291.199)	870.24.593	8.498.961	(260.744)	19.190	(211.478)	12.795.051	(135.945.560)

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

6. Property, plant and equipment

December 31, 2016

Cost Value	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
1 January	1.598.569	-	16.861.760	20.034.606	7.376	38.502.311
Additions	-	-	5.391.601	312.667	-	5.704.267
Transfers	-	-	-	-	-	-
Disposals	-	-	(84.990)	(15.919)	(7.376)	(108.285)
December 31	1.598.569	-	22.168.371	20.331.354	-	44.098.294
Accumulated Depreciation						
1 January	(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
December 31	(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	0	28.001.832

December 31, 2015

Cost Value	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
January 1	2.465.348	-	14.827.725	18.312.709	28.504	35.634.286
Additions	-	-	4.567.253	1.555.519	145.250	6.268.022
Disposals	-	-	-	166.378	(166.378)	-
Transfers	(866.779)	-	(2.533.218)	-	-	(3.399.997)
December 31	1.598.569	-	16.861.760	20.034.606	7.376	38.502.311
Accumulated Depreciation						
January 1	(633.328)	-	(8.724.065)	(1.399.823)	-	(10.757.216)
Charge for the Period	(263.001)	-	(1.614.886)	(1.590.213)	-	(3.468.099)
Disposals	-	-	-	2.262.321	-	2.262.321
December 31	(896.329)	-	(10.338.951)	(727.715)	-	(11.962.994)
Net Book Value as of December 31	702.240	-	6.522.809	19.306.891	7.376	26.539.317

The Company has no impairment loss recognized for tangible fixed assets in the current period.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

7. Investment Properties

December 31, 2016

Cost Value	Land	Buildings	Total
1 January	80.126	-	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

December 31, 2015

December 31, 2015

Cost Value	Land	Buildings	Total
January 1	36.578	504.543	541.121
Additions	-	(460.995)	(460.995)
Disposals	43.548	(43.548)	-
December 31	80.126	-	80.126
Accumulated Depreciation			
January 1	-	(48.571)	(48.571)
Charge for the Period	-	(86.569)	(86.569)
Disposals	-	135.140	135.140
December 31	-	-	-
Net Book Value as of December 31	80.126	-	80.126

In the period of January 1- December 31, 2016, the Company has no obtained rental income from investment properties (January 1 - December 31, 2015: none).

8. Intangible Fixed Assets

December 31, 2016

Cost Value	Advances for Intangible Assets ⁽¹⁾	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)
Transfers	(1.822.719)	1.822.719	-
December 31	1.577.347	69.825.964	71.403.311
Accumulated Amortization			
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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

December 31, 2015

Cost Value	Advances for Intangible Assets ^(*)	Rights	Total
1 January	12.217.024	28.879.266	41.096.290
Additions	684.474	12.970.819	13.655.293
Disposals	-	-	-
Transfer	(10.235.070)	10.235.070	-
December 31	2.666.428	52.085.155	54.751.583
Accumulated Amortization			
1 January	-	(15.246.083)	(15.246.083)
Charge for the Period	-	(5.510.962)	(5.510.962)
Disposals	-	-	-
December 31	-	(20.757.045)	(20.757.045)
Net Book Value as of December 31	2.666.428	31.328.110	33.994.538

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

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

The Company has no goodwill amount in its financial statements.

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, 2016, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (December 31, 2015: 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, 2015: TL 22.155.402) impairment has been detected and disclosed in financial statement as at December 31, 2016 (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 Available for Sale	December 31, 2016	December 31, 2015
Financial Assets Held for Trading	863.908.401	678.300.658
Financial Investments with Risks on Policy Holders	2.530.185	7.753.279
Total	866.438.586	686.053.937

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Financial Assets Available for Sale

	December 31, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	414.615.001	409.346.640	409.346.640	427.963.378	422.249.213	422.249.213
Private sector bond	157.224.003	159.914.268	159.914.268	97.302.245	99.327.442	99.327.442
Investment fund	189.073.620	210.381.106	210.381.106	80.311.808	89.334.398	89.334.398
Eurobond	88.642.117	84.045.498	84.045.498	69.293.388	67.168.716	67.168.716
Equity Shares (Unlisted)	220.889	-	220.889	220.889	-	220.889
Total	849.775.630	863.687.512	863.908.401	675.091.708	678.079.769	678.300.658

Financial Investments with Risks on Policy Holders

	December 31, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	2.530.185	2.530.185	2.530.185	7.540.028	7.753.279	7.753.279

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

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

December 31, 2015

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, 2016 and December 31, 2015.

As of December 31, 2016 and December 31, 2015, 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, 2015: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

None (December 31, 2015: None).

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

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

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

	December 31, 2016			December 31, 2015		
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653
Impairment (-)		-	(30.116.653)		-	(22.155.402)
Affiliates (Net)	30.116.653	-		30.116.653	7.961.251	

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, 2015: None).

11.6 Value increases of financial assets in the last three years

	December 31, 2016	December 31, 2015	December 31, 2014
Financial Assets Available for Sale	(9.003.806)	(7.432.490)	(1.047.646)

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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

12. Receivables and Payables

12.1 Details of the Company's receivables

	December 31, 2016	December 31, 2015
Receivables from insurance operations		
Receivables from agencies	268.107.003	235.112.053
Bank Guaranteed Credit Card Receivables More than Three Months	121.606.950	100.576.813
Receivables from reinsurance companies	24.149.747	38.891.156
Receivables for salvage and claim recovery - net (Note 2.1.1)	26.122.486	21.786.353
Receivables from insurance operations	439.986.186	396.366.375
Other receivables	136.835	71.183
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	167.789	102.137
Claim recovery receivables under legal follow-up	62.237.426	38.864.823
Doubtful receivables from main operations	24.852.985	32.524.008
Receivables from main operations	527.244.386	467.857.343
Provision for due from insurance operations (-) ^(*)	(6.796.115)	(9.860.324)
Provision for doubtful receivables from main operations (-) ^(**)	(21.769.429)	(21.195.854)
Provision for net claim recovery receivables under legal follow-up (-) ^(**)	(57.347.311)	(38.864.823)
Total provision amount for doubtful receivables	(85.912.855)	(69.921.001)
Receivables from main operations - net	441.331.531	397.936.342

^(*) 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, 2016	December 31, 2015
0-60 days	(310.814)	(1.611.642)
61-90 days	1.399.347	734.785
90+	4.526.069	2.672.030
Not due receivables	434.539.373	394.673.339
Total	440.153.975	396.468.512

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

Type of Guarantee	December 31, 2016		December 31, 2015	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	36.580.915	5.000	35.962.761	5.000
Real Estate Pledges	60.440.861	3.702.202	61.180.530	4.407.397
Government Bonds and Equity Shares	162.616	-	113.178	-
Other	466.859	-	451.859	-
Total	97.651.251	3.707.202	97.708.328	4.412.397

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

	2016	2015
Opening Balance, 1 January	(60.060.677)	(60.266.898)
Charge for the Period	(22.403.924)	(2.507.142)
Collections	3.347.861	2.713.363
Closing Balance, September 30	(79.116.740)	(60.060.677)

Aging of receivables from insurance operations is as follows:

	December 31, 2016	December 31, 2015
0-30 days	-	31.869
90+	87.090.411	71.356.962
Total	87.090.411	71.388.831

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

Due to shareholders in balance sheet includes dividends which have paid previous years but not collected by shareholders. As of December 31, 2016, the Company has liabilities amounting to TL 1.143 to shareholders. (December 31, 2015: TL 1.143)

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 101.358.453 as at December 31, 2016 (December 31, 2015: TL 102.120.724).

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

December 31, 2016

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7.685.137	3,5192	27.045.534
EUR	1.146.085	3,7099	4.251.861
GBP	109.075	4,3189	471.084
CHF	55.429	3,4454	190.975
Total			31.959.454
Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	809.823	3,5192	2.849.930
			2.849.930
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7.523.940	3,5192	26.478.248
			26.478.248
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	-	-	-
Total			104.411.166
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(17.491.433)	3,5192	(61.555.851)
EUR	(4.457.973)	3,7099	(16.538.634)
Other	-	-	(779.160)
Total			(78.873.645)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6.581.461)	3,5192	(23.161.478)
Total			(23.161.478)
Net Foreign Currency Position			63.663.675

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

December 31, 2015

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	16.500.019	2,9076	47.975.455
EUR	2.810.599	3,1776	8.930.959
GBP	150.514	4,3007	647.316
CHF	46.479	2,9278	136.081
			57.689.811
Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	814.063	2,9076	2.366.969
			2.366.969
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	56.700.708	2,9076	164.862.979
EUR	5.557.908	3,1776	17.660.808
GBP	192.329	4,3007	827.149
CHF	26.339	2,9278	77.115
Other			271
Total			183.428.322
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.166.814)	2,9128	(12.137.096)
Total			(12.137.096)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.279.961)	2,9128	(82.373.870)
EUR	(3.622.986)	3,1833	(11.533.051)
Other			(1.123.714)
Total			(95.030.635)
Net Foreign Currency Position			136.317.371

13. Derivative Financial Instruments

During the period between January 1 – December 31, 2016, 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 5.154.463 (January 1 – December 31, 2015: TL 38.493.917).

14. Cash and Cash Equivalents

	December 31, 2016	December 31, 2015
Cash at Banks	270.379.281	374.800.368
Time Deposit	252.350.898	369.162.666
Demand Deposit	18.028.383	5.637.702
Bank Guaranteed Credit Card Receivables with Maturities less than three months	210.819.263	176.503.394
Total	481.198.544	551.303.762
Interest Accrual on Cash and Cash Equivalents (-)	(257.966)	(798.285)
Cash Flow Based Grand Total	480.940.578	550.505.477
Blocked Deposits	148.863.664	148.476.703

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

As of December 31, 2016 and December 31, 2015, interest rate of time deposits are as follows:

	December 31, 2016	December 31, 2015
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	4,50 - 13,95	8,25 - 13,95
USD	0,10 - 3,40	0,010 - 3,25
EUR	0,10 - 1,85	0,010 - 2,00

As of December 31, 2016 maturity of TL deposits are changed between January 2, 2017 to March 17, 2017, foreign exchange maturity up to January 2, 2017.

As of December 31, 2015 maturity of TL deposits are changed between January 4, 2016 to February 12, 2016, foreign exchange maturity are changed between January 4, 2016 to January 8, 2016.

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

31 December 2016				
	Cost	Interest Rate	Maturity	Book Value
Time Deposit	25.000.000	11,45%	28.12.2016 - 30.01.2017	25.031.370
Time Deposit	5.000.000	11,40%	23.12.2016 - 17.03.2017	5.014.055
Total	30.000.000			30.045.425

The details of funds received from reverse repo agreements accounted for undershort term other financial borrowings in the balance sheet. As of December 31, 2016 are as follows:

31 December 2016				
	Cost	Interest Rate	Maturity	Book Value
Bond	10.000.000	10,90%	29.12.2016 - 04.01.2017	10.008.959
Bond	15.000.000	10,90%	29.12.2016 - 04.01.2017	15.013.438
Bond	5.000.000	11,00%	26.12.2016 - 02.01.2017	5.009.041
Total	30.000.000			30.031.438

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, 2016 and December 31, 2015 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.

The account of Profit on Sale to be Transferred to Capital has consisted of the amounts arising from the gain on sale of fixed assets transferred to the equity.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

Presented in the statement of changes in equity.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30.600.000.000 shares having a nominal amount of TL 0,01 each. These shares are presented by Class 10 shares (December 31, 2015: 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, 2015: None).

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

Nominal value of equity shares is TL 0,01 per share (December 31, 2015: 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, 2016	December 31, 2015
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, December 31	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 “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

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

None (December 31, 2015: None).

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

None (December 31, 2015: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

15.4 Share based payments

None (December 31, 2015: None).

15.5 Subsequent events

Disclosed in note 46.

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, 2016	December 31, 2015
Valuation difference of financial assets available for sale	(9.003.806)	(7.432.490)
Deferred Tax Effect	1.800.761	1.486.498
Total	(7.203.045)	(5.945.992)

In accordance with changes regarding “TAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4.340.507 (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, 2016, effect of hedge accounting amount of 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, 2015: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2015: None).

16.4 Hedging against financial risks

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

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

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

	2016	2015
	Increase / (Decrease)	Increase / (Decrease)
Beginning of the Period, 1 January	(5.945.992)	(838.117)
Increase / decrease in value recognized under the shareholders' equity in the current period	(1.257.053)	(5.107.875)
End of the Period, December 31	(7.203.045)	(5.945.992)

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

Disclosed in note 34.5

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2015: None).

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

None (December 31, 2015: 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, 2016		December 31, 2015	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	4.821.877	4.824.827	5.605.551	7.486.870
Government Bonds		4.824.827	-	7.486.870
Time Deposit		-	-	-
Non-Life	118.491.138	148.863.664	113.636.452	148.476.703
Time Deposit		148.863.664		148.476.703
Total	123.313.015	153.688.491	119.242.003	155.963.573

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

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

	2016		2015	
	Mathematical Reserves		Mathematical Reserves	
	Unit	TL	Unit	TL
Beginning of the Period, 1 January	385	1.910.495	402	1.972.202
Participations in the Current Period				61.706
Leavings in the Current Period	(135)	(383.907)	(17)	(123.413)
End of Period, December 31	250	1.526.588	385	1.910.495

Mathematical reserves amounting to TL 1.373.929 (December 31, 2015: TL 1.712.230) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 152.659 (December 31, 2015: TL 198.265) and cancelled polich numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Ready For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of December 31, 2016, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2015: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

Branch	December 31, 2016	December 31, 2015
Motor Crafts Liability	3.472.376.461.753	862.114.750.643
Fire and Natural Disaster	601.059.056.615	526.559.025.553
General Losses	274.658.721.235	265.309.807.601
Transportation	96.056.450.959	81.895.226.185
Accident	41.991.066.578	36.064.872.852
Financial Losses	71.708.086.469	61.731.083.844
General Losses	59.441.123.508	39.095.209.261
Air Crafts Liability	19.844.166.047	22.250.156.540
Motor Own Damage	42.134.056.334	30.495.506.795
Health	11.939.385.616	9.288.557.000
Legal Protection	10.535.177.757	8.258.673.613
Air Crafts	1.412.713.829	2.604.171.853
Credit	1.720.654.700	2.914.064.890
Water Crafts	967.578.422	649.210.601
Suretyship	672.292.627	648.109.469
Life	200.000	825.527
Total	4.706.517.192.449	1.949.879.252.227

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

None (December 31, 2015: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (December 31, 2015: None).

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

None (December 31, 2015: None).

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

None (December 31, 2015: None).

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

None (December 31, 2015: 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, 2015: None).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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, 2015: 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, 2015: None).

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

None (December 31, 2015: 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, 2016	January 1- December 31, 2015
	Profit Share Distribution Rate (%)	Profit Share Distribution Rate (%)
TL (Life Insurance)	9,00	9,00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2015: None).

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

Reinsurance Assets

	December 31, 2016	December 31, 2015
Receivables from Reinsurance Companies	24.149.747	38.891.156
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	385.729.268	320.273.585
Reinsurance Share of Outstanding Claims Reserve	444.491.086	210.698.731
Reinsurance Share of Unexpired Risks Reserve	-	7.094.384
Reinsurance Share of Equalization Reserve	42.700.763	21.953.456
Total	897.101.818	598.942.267

Reinsurance Liabilities

	December 31, 2016	December 31, 2015
Payables to Insurance and Reinsurance Companies	168.866.186	149.033.440
Deferred Commissions Income	53.979.313	35.555.383
Total	222.845.499	184.588.823

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Income / Expense on Reinsurance Agreements

	January 1- December 31, 2016	January 1- December 31, 2015
Premiums Ceded to Reinsurers (-)	(728.971.808)	(517.508.736)
Commissions Received	101.917.349	59.203.027
Reinsurance Share of Unearned Premiums Reserve	60.184.165	59.135.098
Reinsurance Share of Unexpired Risks Reserve	(7.094.384)	(1.861.454)
Reinsurance Share of Outstanding Claims Reserve	233.792.355	32.720.378
Reinsurance Share of Claims Paid	203.170.514	129.392.579
Total	(137.001.810)	(238.919.108)

Branch	December 31, 2016			December 31, 2015		
	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	(308.111.998)	54.055.375	41.878.328	(266.004.020)	32.281.489	44.711.429
General Losses	(113.556.289)	(15.638.943)	49.179.596	(107.736.537)	24.269.760	63.034.335
General Liability	(46.449.139)	34.471.540	7.600.704	(42.759.864)	(8.302.256)	8.149.311
Financial Losses	(29.151.327)	986	783.463	(32.066.812)	6.927.400	285.419
Transportation	(11.115.909)	6.633.320	7.609.362	(12.045.179)	(3.070.650)	6.101.146
Motor Crafts Liability	(19.967.097)	6.214.175	12.219	(6.460.712)	(7.471.052)	13.404
Motor Own Damage	(869.944)	1.232	(10.741)	(978.839)	(470.395)	(1.787)
Accident	(12.917.413)	3.173.895	814.602	(8.846.475)	3.674.159	544.680
Support	(2.379.709)	(310.261)	-	(2.930.868)	82.392	-
Credit	(3.406.990)	(3.200.364)	3.502.450	(5.107.546)	(1.328.218)	3.532.812
Air Crafts	(4.208.415)	(841.380)	1.046.216	(4.207.330)	1.046.914	851.276
Air Crafts Liability	(7.153.942)	(1.954.064)	1.744.927	(11.633.270)	1.827.935	891.861
Water Crafts	(2.181.963)	1.018.643	3.799.991	(1.548.173)	(218.485)	1.132.814
Health	(163.861.187)	55.631.346	84.164.385	(10.554.442)	8.460.481	3.854
Suretyship	(3.640.486)	149.342.088	1.045.012	(4.625.703)	32.284.721	142.025
Life	-	(211)	-	(2.966)	38	-
Legal Protection	-	-	-	-	-	-
Total	(728.971.808)	288.597.377	203.170.514	(517.508.736)	89.994.233	129.392.579

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

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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

	2016	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	184.588.823	598.942.267
Net Change for the Year	38.256.676	298.159.551
End of the Period, 31 December	222.845.499	897.101.818

	2015	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	137.613.081	473.058.132
Net Change for the Year	72.996.393	125.884.135
End of the Period, 31 December	210.609.474	598.942.267

18. Investment Contract Liabilities

Disclosed in Note 17.3.

19. Trade and Other Payables, Deferred Income

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

	December 31, 2016	December 31, 2015
Payables to agencies	33.154.096	26.020.651
Payables to insurance and reinsurance companies	168.866.186	149.033.440
Payables from Insurance Operations	202.020.282	175.054.091
Payables to contracted enterprises	6.010.520	11.767.312
Payables to Turkish Catastrophe Insurance Pool	21.395.892	14.540.068
Payables to suppliers	10.538.496	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	684.897	566.223
Other	1.525.590	471.512
Other Payables	40.155.395	31.283.236
Payables to SSI regarding medical expenses	4.268.447	6.356.378
Deferred commission income	53.979.313	35.555.383
Expense accruals	36.839.062	20.687.893
Deferred Income and Expense Accruals	90.818.375	56.243.276
Total Short Term Liabilities	337.262.499	268.936.981
Total Trade and Other Payables, Deferred Income	337.262.499	268.936.981

19.2 Related Parties

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

20. Payables

Insurance Technical Reserves	December 31, 2016	December 31, 2015
Unearned Premiums Reserve- Net ^(*)	609.668.379	510.667.337
Unexpired Risks Reserve- Net	-	16.354.138
Outstanding Claims Reserve-Net ^(**)	590.667.604	526.216.475
Bonuses and rebates reserve-Net	3.457	1.200.000
Mathematical Reserves-Net	1.526.588	1.910.495
Equalization Reserve-Net	59.705.916	48.611.713
Total	1.261.571.944	1.104.960.158

^(*) While calculating the income statement effect of the provisions for unearned premiums, TL 5.271.730, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2015: TL 376.682).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of December 31, 2016 which is TL 10.542.409 (December 31, 2015: TL 2.740.332).

^(**) The Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2014 has taken part on December 31, 2014. According to the same agreements the portfolio additions have been made within the year 2015. The effect of portfolio additions TL 1.985.207 in 2015 netted - off from outstanding claims (note 4.1.2.3)

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	December 31, 2016			December 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	830.940.922	(320.273.585)	510.667.337	830.480.271	(264.325.914)	566.154.357
Net Change	164.456.725	(65.455.683)	99.001.042	460.651	(55.947.671)	(55.487.020)
End of the Period, December 31	995.397.647	(385.729.268)	609.668.379	830.940.922	(320.273.585)	510.667.337

Unexpired Risk Reserve:

	December 31, 2016			December 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	23.448.522	(7.094.384)	16.354.138	19.174.631	(8.955.838)	10.218.793
Net Change	(23.448.522)	7.094.384	(16.354.138)	4.273.891	1.861.454	6.135.345
End of the Period, December 31	-	-	-	23.448.522	(7.094.384)	16.354.138

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Equalization Reserve:

	December 31, 2016			December 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	70.565.169	(21.953.456)	48.611.713	38.577.088	-	38.577.088
Net Change	31.841.510	(20.747.307)	11.094.203	31.988.081	(21.953.456)	10.034.625
End of the Period, December 31	102.406.679	(42.700.763)	59.705.916	70.565.169	(21.953.456)	48.611.713

Provision for bonus and discount

	December 31, 2016			December 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	1.200.000	-	1.200.000	-	-	-
Net Change	518.909	(1.715.452)	(1.196.543)	1.200.000	-	1.200.000
End of the Period, December 31	1.718.909	(1.715.452)	3.457	1.200.000	-	1.200.000

Outstanding Claims Reserve:

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

21. Deferred Income Tax

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

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

22. Retirement and Welfare Liabilities

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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.

22. Retirement and Welfare Liabilities

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, 2016 and December 31, 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of December 31, 2016, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 8,53% (December 31, 2015: %8,81) and a discount rate of 10,91% (December 31, 2015: 2%), resulting in a real interest rate of 2% (December 31, 2015: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirements pay is also taken into account.

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

In accordance with changes regarding "TAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4.340.507 (Deferred tax effect: TL 868.102) 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, 2016, the maximum amount of TL 4.426,16 effective from January 1, 2017 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2015 : TL 4.092,53).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

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

	2016	2015
Beginning of the Period, January 1	6.474.170	2.813.302
Charge for the Period	1.569.790	1.743.217
Actuarial Gain/Loss	(340.047)	3.480.442
Retirement Payments (-)	(1.368.546)	(1.562.791)
End of the Period, December 31	6.335.367	6.474.170

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2016		2015	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, January 1	1.070.851	1.440.387	1.360.307	1.327.563
Movements in the Current Period	(12.195)	88.708	(289.456)	111.486
Payments in the Current Period	(154.261)			
End of the Period, December 31	904.395	1.529.095	1.070.851	1.439.049

23.2 Provisions related to employee benefits and others

Company's statement of pledges and commitments as of December 31, 2016 and December 31, 2015 are presented below:

	December 31, 2016		December 31, 2015	
	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		1.459.494		859.300
TL	1.459.494	1.459.494	859.300	859.300
USD	-	-	0	0
D. Total amount of other CPMs given		565.250		565.250
i. Total amount of CPMs given in favor of the parent company	-	-	-	-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favor of third parties not included in clause C		565.250		565.250
TL	565.250	565.250	565.250	565.250
Total		2.021.744		1.424.550

There is no ratio of CPMs given by the Company to the equity (December 31, 2015 : None).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	December 31, 2016	December 31, 2015
Outstanding Claims under Litigation	304.205.081	243.934.118
Total	304.205.081	243.934.118
	December 31, 2015	December 31, 2014
Subrogation Receivable Litigations, Gross	78.684.489	54.140.919
Trade Receivable Litigations and Executions	3.347.861	12.238.146
Total	82.032.350	66.379.065

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, 2016	December 31, 2015
Commission provision	9.678.975	6.533.418
Expense provision	12.708.520	6.279.050
Unused vacation provision	7.460.556	4.378.053
Performance premium provision	904.395	1.070.851
Guarantee fund provision	2.272.253	925.650
Business Cases Provision	1.772.953	817.000
Other	2.041.410	683.871
Total	36.839.062	20.687.893

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

24. Net Insurance Premium Revenue

	January 1- December 31, 2016	January 1- December 31, 2015
Non-life Branches		
Motor Own Damage	589.981.760	474.905.708
Motor Crafts Liability	226.054.298	98.524.696
Health	54.704.908	186.515.834
Fire and Natural Disaster	134.778.189	135.980.198
General Losses	67.764.900	121.533.242
Financial Losses	29.656.454	26.841.390
Accident	20.551.294	19.778.062
General Liability	19.337.566	19.168.124
Transportation	16.703.825	15.306.967
Legal Protection	4.357.496	3.751.032
Water Crafts	1.413.979	1.270.473
Suretyship	945.250	586.943
Support	155.481	234.840
Credit	179.315	266.668
Air Crafts	517	562
Air Crafts Liability	1.538	357
Total Non-life Branches	1.166.586.770	1.104.665.096
Life	7.480	12.322
Total	1.166.594.250	1.104.677.418

25. Fee Income

None (January 1 - December 31, 2015:None).

26. Investment Income/(Expense)

	January 1- December 31, 2016	January 1- December 31, 2015
Interest Income	102.646.197	56.293.858
Total	102.646.197	56.293.858

27. Net Accrual Income on Financial Assets

	January 1- December 31, 2016	January 1- December 31, 2015
Financial Assets Available for Sale		
Valuation differences recognized		
under shareholders' equity	(7.203.043)	(5.945.992)
Total	(7.203.043)	(5.945.992)

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 16.660.092.as of December 31, 2016 (January 1 - December 31, 2015: TL 12.386.043).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

29. Insurance Rights and Demands

	January 1- December 31, 2016	January 1- December 31, 2015
Outstanding Claims Reserve Expenses		
Legal Protection	(23.088)	219.058
Water Crafts	(167.683)	(5.911)
Air Crafts Liability	254	(237)
Air Crafts	(4)	3
Suretyship	(325.089)	(767.504)
Credit	133.564	18.939
Accident	(454.747)	(154.788)
Transportation	(943.814)	(973.297)
Financial Losses	645.845	1.916.844
Health	21.418.560	(1.194.707)
Motor Own Damage	(23.415.405)	1.681.964
General Liability	(20.606.517)	(1.564.201)
Fire and Natural Disaster	(8.773.422)	(5.152.491)
General Losses	(1.062.075)	(619.209)
Motor Crafts Liability	(34.156.587)	(214.056.994)
Total Non-life	(67.730.208)	(220.652.531)
Life	3.279.082	205.727
Total^(*)	(64.451.126)	(220.446.804)

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

30. Investment Agreement Rights

None (December 31, 2015:None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

	January 1- December 31, 2016	January 1- December 31, 2015
Production Commissions (-)	(295.586.711)	(278.783.214)
Reinsurance Commissions (+)	101.917.349	59.205.833
Employee Wages and Expenses (-) ^(*)	(67.181.463)	(69.289.260)
Information Technology Expenses (-)	(13.109.821)	(12.165.744)
Meeting and Training Expenses (-)	(3.696.162)	(2.927.626)
Transportation Expenses (-)	(4.126.314)	(3.803.664)
Rent Expenses (-)	(8.546.734)	(7.329.158)
Social Relief Expenses (-)	(3.688.606)	(3.964.145)
Repair and Maintenance Expenses (-)	(2.500.167)	(2.719.832)
Outsourcing Service Expenses (-)	(2.160.787)	(1.498.160)
Advertisement Expenses (-)	(3.018.736)	(2.629.865)
Communication Expenses (-)	(1.331.651)	(2.514.385)
Other (-)	(4.086.395)	(4.919.471)
Total	(307.116.198)	(333.338.691)

^(*) 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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

33. Employee Wages and Expenses

	January 1- December 31, 2016	January 1- December 31, 2015
Salary and Bonus Payments	(63.359.803)	(63.723.794)
Insurance Payments	(897.306)	(851.536)
Other Payments	(2.924.354)	(4.713.930)
Total (Note 32)	(67.181.463)	(69.289.260)

34. Financing Costs

34.1 Financial Expenses:

None (December 31, 2015: None).

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

None (December 31, 2015: 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

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, 2016 effect of hedge accounting amount of TL (21.020.093) has been recognized in the “Special Funds (Reserves)” account item under equity.

Deposit amount	Currency Type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
16.358.049	USD	2,2342	3,5192	(21.020.093)

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging USD 23.101.085 Eurobond.

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

None (December 31, 2015: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

35. Corporate Tax

Tax (Expense) / Income is Formed by the Items Below:	January 1- December 31, 2016	January 1- December 31, 2015
Current Tax Income / (Expense)	-	-
Deferred Tax Income / (Expense) due to Temporary Differences	(12.070.498)	30.328.559
Total Tax Income / (Expense)	(12.070.498)	30.328.559

Deferred Tax

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

Deferred Tax	December 31, 2016	December 31, 2015
Recognized in the Shareholders' Equity: Valuation of Financial Assets Available for Sale	1.800.761	1.486.498
Hedge Effect	(4.204.019)	(2.448.613)
Actuarial Gain/Loss Effect	868.102	936.111
Total	(1.535.156)	(26.004)

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

Deferred Tax Assets / (Liabilities)	December 31, 2016	December 31, 2015
Impairment Provision	6.023.331	4.431.080
Technical reserves	1.095.282	4.194.720
Marketable securities valuation difference	1.800.761	1.486.498
Performance bonus provision	1.492.111	875.611
Expense Provision	1.786.719	819.076
Doubtful receivable provisions	381.200	381.200
Retirement pay provision	1.267.073	1.294.834
Unused vacation provision	180.879	214.170
Useful life differences of tangible and intangible assets	(1.300.933)	(562.219)
Hedge Effect		(2.448.613)
Investment Fund	(124.899)	
Fiscal Expense	13.030.711	28.525.528
Deferred Tax Assets / (Liabilities), Net	25.632.235	39.211.885

Movements of Deferred Tax Assets / (Liabilities):	2016	2015
Beginning of the Period, 1 January	39.211.885	9.024.367
Deferred Tax Income Recognized in the Income Statement	(12.070.498)	30.328.559
Deferred Tax Income Recognized in the Shareholders' Equity	(1.509.152)	(141.041)
Closing Balance, December 31	25.632.235	39.211.885

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Confirmation of Tax Provision	2016	2015
Income Before Tax	60.237.774	(166.274.119)
Tax Calculated: 20%	(12.047.555)	33.254.824
Effect of Additions	(20.187.153)	(15.393.542)
Effect of Allowances	16.739.893	10.664.246
Taxable Income	(15.494.815)	(28.525.528)
Tax Losses Carry Forward	15.494.815	-
Corporate Tax Liability Provision on Period Profit	-	-

As of December 31, 2016, the Company has booked the deferred tax assets in amounting to TL 25.632.235 and TL 13.070.711 is calculated over the carryforward financial tax losses in amounting to TL 65.153.557 The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets. The maturity of the tax losses are below:

	2016	2015
Ended in 2020	65.153.557	142.627.641

36. Net Foreign Exchange Gain/Loss

	January 1- December 31, 2016	January 1- December 31, 2015
Recognized in Profit / Loss:		
Foreign Exchange Income	77.269.832	138.098.133
Foreign Exchange Expense	(70.182.459)	(123.847.258)
	7.087.373	14.250.875

37. Earnings per Share

	2016	2015
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
Beginning Period, 1 January	30.600.000.000	30.600.000.000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
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)	48.167.276	(135.945.560)
Earnings / (Loss) per Share (TL)	0,157	(0,444)

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

(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 20, 2016, the company hasn't got net profit on the financial statements as of December 31,2016. Company has not been distributed profit to the shareholders.

39. Cash Generated from the Operations

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

40. Equity Share Convertible Bonds

None (December 31, 2015:None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2015: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, 2015:None).

45. Related Parties

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

Related Party Receivables / (Payables)

	December 31, 2016	December 31, 2015
Shareholders	19.958	(107.314)
Related Parties	12.456.988	16.478.636
Total	12.476.946	16.371.322

(*) Amount TL 80.633 (December 31, 2015: TL 80.678) of related party receivable balance is presented under "Other Related Party Receivable" line of financial statements. Rest of the balance is presented under "Receivable from Insurance Operations" line of financial statements.

Premium production

	January 1- December 31, 2016	January 1- December 31, 2015
Shareholders	2.637.764	2.426.901
Related Parties	150.567.543	128.206.697
Total	153.205.307	130.633.598

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Claims Paid

	January 1- December 31, 2016	January 1- December 31, 2015
Shareholders	969	829.939
Related Parties	9.548.521	29.316.090
Total	9.549.490	30.146.029

Bank Deposit

	December 31, 2016	December 31, 2015
Related Parties	574.281.361	67.670.586
Total	574.281.361	67.670.586

Private Sector Bonds

	December 31, 2016	December 31, 2015
Related Parties	15.294.313	28.794.288
Total	15.294.313	28.794.288

Investment Funds

	December 31, 2016	December 31, 2015
Related Parties	158.252.836	89.334.398
Total	158.252.836	89.334.398

Interest Income Received from Related Party

	January 1- December 31, 2016	January 1- December 31, 2015
Related Parties	43.782.837	32.279.194
Total	43.782.837	32.279.194

Payables to shareholders balance includes dividends that have not yet been taken by the shareholders.

46. Subsequent Events

None.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

47. Other

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

Other Receivables	December 31, 2016	December 31, 2015
Receivables from Tarım Sigortaları A.Ş.	2.964.383	2.446.238
Other Receivables	1.434.861	3.033.414
Receivables from Agencies due to DASK Premiums	3.413.737	1.459.834
Receivables from Hacı Ömer Sabancı Foundation	-	-
Total	7.812.981	6.939.486

Other Short Term Payables	December 31, 2016	December 31, 2015
Payables to Turkish Catastrophe Insurance Pool	21.395.892	14.540.068
Payables to contracted enterprises	6.010.520	11.767.312
Payables to suppliers	10.538.496	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	684.897	566.223
Other	1.525.590	471.512
Total	40.155.395	31.283.236

Other Prepaid Expenses	December 31, 2016	December 31, 2015
Prepaid Expenses ^(*)	2.685.039	2.539.182
Other	-	-
Total	2.685.039	2.539.182

Other Prepaid Expenses (Long Term)	December 31, 2016	December 31, 2015
Prepaid Expenses	207.203	249.184
Total	207.203	249.184

Other Technical Expenses	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Gross Other Technical Expenses	(53.118.692)	(40.662.590)
Total	(53.118.692)	(40.662.590)

^(*) The amount of TL 2.332.210 (December 31, 2015: TL 1.778.320) prepaid expenses has arisen from operational leases of the Company.

^(**) Gross other technical expenses consist of premium ceded for assistance services, assistance invoices and profit sharing expenses under transfer of health premiums according to the agreement regarding collaboration in health branch.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- December 31, 2016	January 1- December 31, 2015
Provisions Account (+/-)	(28.295.599)	(12.181.358)
	-	-
Provisions for doubtful receivable	(13.509.667)	(6.667.344)
Retirement pay provision	(1.569.790)	(1.743.217)
Portfolio Management	(1.932.960)	(2.305.763)
Unused vacation provision	(154.261)	(17.319)
Guarantee Fund Provision	(2.041.410)	(683.871)
Provisions for other expenses	(9.087.511)	(763.844)
Compulsory earthquake insurance account (+/-)	499.332	622.352
Deferred tax asset account (+/-)	(12.070.498)	30.328.559
Deferred tax asset liability expense (-)	-	-
Previous year other expenses and losses	(-)	(2.483)
Other income and profits	748.524	1.372.202
Other	748.524	1.372.202
Other expenses and losses (-)	(21.856.902)	(5.521.719)
	-	-
Non-tax-deductible expenses	(15.421.994)	(397.418)
Bank Expenses	(2.815.607)	(2.545.455)
Expense on property sale	-	(429.179)
Certificate of Insolvency	(2.482.187)	(851.405)
Expense on property sale	(488.453)	(698.658)
Other	(648.661)	(599.604)
Total	(60.977.626)	14.620.036

(*) TL 7.961.251 part of the provisions for other expense consists of the impairment provision for Merter BV with a 25% participation rate.

(**) For the period between January 1, December 31, 2016, disallowable expenses has consisted of tax penalty payments which is amounting to TL14.080.984, that the Company has made regarding to tax investigation that was related to the spin off transaction which was subject to tax investigation in 2010, by taking advantage of tax amnesty within scope of law numbered 6736 Regarding Restructuring of Some Tax Receivable.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Audited Current Period (01/01/2016 - 31/12/2016)	Audited Current Period (01/01/2015 - 31/12/2015)
I. Distribution of profit for the period			
1.1. Profit for the period		48.167.276	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
A. Net profit for the period (1.1 - 1.2)		48.167.276	-
1.3. Previous years' losses (-)		(135.945.560)	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
B. Net distributable Profit for the period [a - (1.3 + 1.4 + 1.5)]		-	-
1.6. First dividend to shareholders (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3. To owners of participating redeemed shares		-	-
1.6.4. To owners of profit-sharing securities		-	-
1.6.5. To owners of profit and loss sharing securities		-	-
1.7. Dividends to personnel (-)		-	-
1.8. Dividends to founders (-)		-	-
1.9. Dividends to board of directors (-)		-	-
1.10. Second dividends to shareholders (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. Second legal reserve (-)		-	-
1.12. Statutory reserves (-)		-	-
1.13. Extraordinary reserves		-	-
1.14. Other reserves		-	-
1.15. Special funds		-	-
II. Distribution from reserves		-	-
2.1. distributed reserves		-	-
2.2. second legal reserve (-)		-	-
2.3. dividends to shareholders (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2. To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4. To owners of profit-sharing securities		-	-
2.3.5. To owners of profit and loss sharing securities		-	-
2.4. Dividends to employees (-)		-	-
2.5. Dividends to board of directors (-)		-	-
III. Profit per share		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
IV. Dividends per share		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

As of December 31, 2015 the profit distribution table has not been prepared since there has not been profit distribution.

Think well, live well!



AKSigorta
Hizmet Merkezi
444 27 27

W aksigorta.com.tr

b benimaksigortam.com

f facebook.com/aksigorta

t twitter.com/aksigorta