

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

**AKSIGORTA A.Ş.**

**INTERIM FINANCIAL STATEMENTS AS OF 1 JANUARY - 30 JUNE 2018  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION OF  
THE REVIEW REPORT FOR THE INTERIM FINANCIAL INFORMATION  
OF AKSIGORTA A.Ş.  
(ORIGINALLY ISSUED IN TURKISH)**

To the General Assembly of Aksigorta A.Ş.,

*Introduction*

1. We have reviewed the accompanying balance sheet of Aksigorta A.Ş. (the “Company”) as of 30 June 2018 and the related statement of income, changes in shareholders’ equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company’s Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Accounting Standard 34, “Interim Financial Reporting” for the matters not regulated by insurance legislation “Regulation on Insurance Accounting and Financial Reporting Principles”. Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of the Review*

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



*Conclusion*

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Aksigorta A.Ş. at 30 June 2018, and of the results of its operations and of its cash flows for the six-month period then ended in all aspects in accordance with the accounting principles and standards as set out in the insurance legislation.

*Additional Paragraph for Convenience Translation into English*

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

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

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

Adnan Akan, SMMM  
Partner

Istanbul, 31 July 2018

**AKSİGORTA A.Ş.****THE MANAGEMENT'S REPRESENTATION ON THE FINANCIAL STATEMENTS  
PREPARED AS OF 30 JUNE 2018**

The accompanying financial statements and the related disclosures and notes as of 30 June 2018 (the "financial report") are prepared in accordance with the requirements set out by Republic of Turkey of the Treasury and Finance Ministry Undersecretariat Treasury and accordance with the accounting principles and standards in force in insurance legislation and are in compliance with our Company's accounting records.

İstanbul, 31 July 2018

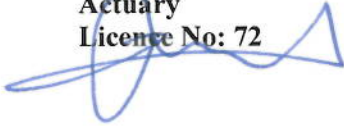


**Osman AKKOCA**  
Chief Financial Officer



**Uğur GÜLEN**  
Chief Executive Officer

**Halil KOLBAŞI**  
Actuary  
Licence No: 72



**Seza TANINMIŞ ÖZGÜR**  
Accounting Manager



**AKSIGORTA A.Ş.**

**THE FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 30 JUNE 2018**

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**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

<b>ASSETS</b>			
<b>I- CURRENT ASSETS</b>	<b>Note</b>	<b>Reviewed</b>	<b>Audited</b>
		<b>Current Period (30/06/2018)</b>	<b>Previous Period (31/12/2017)</b>
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>1,621,033,499</b>	<b>1,352,046,487</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,229,314,332	966,463,093
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	391,719,167	385,583,394
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>	<b>11.1</b>	<b>491,951,824</b>	<b>519,507,242</b>
1- Financial Assets Available for Sale	11.1	489,329,784	516,992,828
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	2,622,040	2,514,414
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
<b>C- Receivables From Main Operations</b>	<b>12.1</b>	<b>567,328,517</b>	<b>526,616,819</b>
1- Receivables From Insurance Operations	12.1	568,115,698	527,911,415
2- Provision for Receivables From Insurance Operations (-)	12.1	(7,649,798)	(7,785,096)
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	107,815,987	101,471,349
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(100,984,324)	(95,011,803)
<b>D- Due from Related Parties</b>		<b>463,288</b>	<b>124,226</b>
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		463,288	124,226
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>E- Other Receivables</b>		<b>23,405,831</b>	<b>16,815,829</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		510,501	506,405
4- Other Receivables	47	22,895,330	16,309,424
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>4.2.2</b>	<b>260,065,111</b>	<b>208,011,485</b>
1- Deferred Commission Expenses	17	218,261,749	197,757,608
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		22,223,316	14,447
4- Other Prepaid Expenses	47	19,580,046	10,239,430
<b>G- Other Current Assets</b>	<b>4.2.2</b>	<b>3,612,293</b>	<b>4,157,514</b>
1- Inventories		22	22
2- Prepaid Taxes and Funds		3,488,213	4,056,588
3- Deferred Tax Assets		-	-
4- Business Advances		60,808	9,548
5- Advances Given to Personnel		63,250	91,356
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>2,967,860,363</b>	<b>2,627,279,602</b>

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

<b>ASSETS</b>			
<b>II- NON CURRENT ASSETS</b>	<b>Note</b>	<b>Reviewed Current Period (30/06/2018)</b>	<b>Audited Previous Period (31/12/2017)</b>
<b>A- Receivables From Main Operations</b>		-	-
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>B- Due from Related Parties</b>		-	-
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 (-)		-	-
<b>C- Other Receivables</b>		-	-
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 (-)		-	-
<b>D- Financial Assets</b>		-	-
1- Investments In Associates		-	-
2- Affiliates	9 and 11.4	30,116,653	30,116,653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	11.4	(30,116,653)	(30,116,653)
<b>E- Tangible Fixed Assets</b>	<b>6 and 7</b>	<b>24,157,760</b>	<b>26,277,477</b>
1- Investment Properties	7	-	80,126
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1,598,569	1,598,569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	23,888,570	23,605,872
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	21,412,758	21,412,252
8- Leased Tangible Fixed Assets	6	351,395	351,395
9- Accumulated Depreciation (-)	6 and 7	(23,093,532)	(20,770,737)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
<b>F- Intangible Fixed Assets</b>	<b>8</b>	<b>46,522,845</b>	<b>46,544,719</b>
1- Rights	8	93,863,799	87,041,349
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	8	(50,550,060)	(43,097,276)
7- Advances Regarding Intangible Assets	8	3,209,106	2,600,646
<b>G- Prepaid Expenses and Income Accruals</b>		<b>149,980</b>	<b>2,963,592</b>
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	149,980	2,963,592
<b>H- Other Non-current Assets</b>		<b>9,768,944</b>	<b>9,702,374</b>
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	9,768,944	9,702,374
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
<b>II- Total Non-current Assets</b>		<b>80,599,529</b>	<b>85,488,162</b>
<b>TOTAL ASSETS (I+II)</b>		<b>3,048,459,892</b>	<b>2,712,767,764</b>

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

<b>LIABILITIES</b>			
<b>III- SHORT TERM LIABILITIES</b>	Note	Reviewed	Audited
		Current Period (30/06/2018)	Previous Period (31/12/2017)
<b>A- Borrowings</b>		-	-
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)		-	-
<b>B- Payables From Main Operations</b>		<b>468,371,194</b>	<b>308,244,281</b>
1- Payables Due to Insurance Operations	19.1	468,371,194	308,244,281
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 (-)		-	-
<b>C- Due to Related Parties</b>		<b>212,600</b>	<b>184,121</b>
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		211,457	182,978
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19.1</b>	<b>68,070,847</b>	<b>76,722,322</b>
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	20,568,254	24,110,925
3- Other Payables	19.1	47,502,593	52,611,397
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>1,629,364,707</b>	<b>1,464,403,244</b>
1- Unearned Premiums Reserve - Net	20	945,913,955	883,931,028
2- Unexpired Risk Reserves - Net	20	210,166	476,121
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1 and 20	683,137,066	579,989,028
5- Provision for Bonus and Discounts - Net	20	103,520	7,067
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>33,421,178</b>	<b>40,735,458</b>
1- Taxes and Dues Payable		19,105,178	30,129,723
2- Social Security Premiums Payable	23.1	166,226	1,879,776
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	28,795,739	40,115,659
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(14,650,942)	(31,394,677)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>		<b>46,446,367</b>	<b>36,798,073</b>
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1 and 23.4	46,446,367	36,798,073
<b>H- Deferred Income and Expense Accruals</b>	<b>19.1</b>	<b>102,931,037</b>	<b>78,231,263</b>
1- Deferred Commission Income	19.1	102,687,232	78,231,263
2- Expense Accruals		-	-
3- Other Deferred Income	19.1	243,805	-
<b>I- Other Short Term Liabilities</b>		<b>235</b>	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	-
<b>III - Total Short Term Liabilities</b>		<b>2,348,818,165</b>	<b>2,005,318,762</b>

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



**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

<b>LIABILITIES</b>			
<b>IV- LONG TERM LIABILITIES</b>	Note	Reviewed	Audited
		Current Period (30/06/2018)	Previous Period (31/12/2017)
<b>A- Borrowings</b>		-	-
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>B- Payables From Main Operations</b>		-	-
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 (-)		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>77,564,804</b>	<b>72,173,503</b>
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2 and 20	1,481,442	1,609,127
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	76,083,362	70,564,376
<b>F- Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		<b>6,094,940</b>	<b>6,172,934</b>
1- Provision for Employment Termination Benefits	22	6,094,940	6,172,934
2- Provisions for Employee Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
<b>IV- Total Long Term Liabilities</b>		<b>83,659,744</b>	<b>78,346,437</b>

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

<b>SHAREHOLDERS' EQUITY</b>			
<b>V- SHAREHOLDERS' EQUITY</b>	Note	<b>Reviewed</b>	<b>Audited</b>
		<b>Current Period (30/06/2018)</b>	<b>Previous Period (31/12/2017)</b>
<b>A- Paid in Capital</b>		<b>306,000,000</b>	<b>306,000,000</b>
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>B- Capital Reserves</b>		<b>95,377,201</b>	<b>95,377,201</b>
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	95,377,201	95,377,201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>32,205,193</b>	<b>14,388,214</b>
1- Legal Reserves	15	15,835,334	-
2- Statutory Reserves		62	62
3- Extraordinary Reserves		1,018,015	26,666
4- Special Funds (Reserves)	15, 22 and 34.5	21,703,776	14,375,956
5- Revaluation of Financial Assets	16.1	(6,351,994)	(14,470)
6- Other Profit Reserves		-	-
<b>D- Previous Years' Profits</b>		<b>86,350,467</b>	<b>91,064,579</b>
1- Previous Years' Profits		86,350,467	91,064,579
<b>E- Previous Years' Losses (-)</b>		<b>-</b>	<b>(4,714,112)</b>
1- Previous Years' Losses		-	(4,714,112)
<b>F- Net Profit of the Period</b>	<b>37</b>	<b>96,049,122</b>	<b>126,986,683</b>
1- Net Profit of the Period		96,049,122	126,986,683
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	-
<b>Total Shareholders' Equity</b>		<b>615,981,983</b>	<b>629,102,565</b>
<b>Total Liabilities and Shareholders' Equity (III+IV+V)</b>		<b>3,048,459,892</b>	<b>2,712,767,764</b>

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

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2018 AND 31 DECEMBER 2017

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

I-TECHNICAL PART	Note	Reviewed	Unreviewed	Restated Reviewed	Restated Unreviewed
		Current Period	Current Period	Previous Period	Previous Period
		01/01/2018- 30/06/2018	01/04/2018- 30/06/2018	01/01/2017- 30/06/2017	01/04/2017- 30/06/2017
<b>A- Non-Life Technical Income</b>		<b>988,563,251</b>	<b>523,941,938</b>	<b>680,140,175</b>	<b>341,804,793</b>
1- Eamed Premiums (Net of Reinsurer Share)		859,666,601	453,310,190	597,885,322	301,137,411
1.1- Written Premiums (Net of Reinsurer Share)	24	921,383,573	437,096,132	588,973,408	295,694,618
1.1.1- Gross Written Premiums (+)	24	1,676,081,903	743,939,228	1,117,881,675	502,503,822
1.1.2- Ceded Premiums to Reinsurers (-)	17.16 and 24	(708,445,085)	(286,266,660)	(520,466,997)	(202,263,753)
1.1.3- Ceded Premiums to SSI (-)	17.16 and 24	(46,253,245)	(20,576,436)	(8,441,270)	(4,545,451)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(61,982,927)	14,926,231	9,302,193	5,753,240
1.2.1- Unearned Premiums Reserve (-)	20	(226,633,499)	27,564,040	(104,703,923)	18,862,946
1.2.2- Reinsurance Share of Unearned Premiums Reserve (+)	17.16 and 20	153,321,169	(13,640,431)	114,345,486	(12,305,867)
1.2.3- SSI of Unearned Premiums Reserve (+)	17.16 and 20	11,329,403	1,002,622	(339,370)	(803,839)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		265,955	1,287,827	(390,279)	(310,447)
1.3.1- Unexpired Risks Reserve (-)	20	(9,729,138)	(16,351,671)	(1,015,954)	(771,295)
1.3.2- Reinsurance Share of Unexpired Risks Reserve (+)	17.16 and 20	9,995,093	17,639,498	625,675	460,848
2- Investment Income Transferred from Non-Technical Part		117,243,356	61,720,290	76,778,425	39,705,955
3- Other Technical Income (Net of Reinsurer Share)		1,959,853	977,059	1,660,489	728,635
3.1- Gross Other Technical Income (+)		1,959,853	977,059	1,660,489	728,635
3.2- Reinsurance Share of Other Technical Income (-)		-	-	-	-
4- Accrued Subrogation and Salvage Income (+)		9,693,741	7,934,399	3,815,939	232,792
<b>B- Non-Life Technical Expense (-)</b>		<b>(831,543,709)</b>	<b>(448,973,569)</b>	<b>(573,942,194)</b>	<b>(282,366,898)</b>
1- Total Claims (Net of Reinsurer Share)		(583,240,444)	(323,691,168)	(375,956,371)	(183,055,944)
1.1- Claims Paid (Net of Reinsurer Share)		(480,022,673)	(249,111,953)	(319,496,116)	(151,242,742)
1.1.1- Gross Claims Paid (-)		(667,172,820)	(335,561,454)	(432,439,681)	(209,037,407)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	187,150,147	86,449,501	112,943,565	57,794,665
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(103,217,771)	(74,579,215)	(56,460,255)	(31,813,202)
1.2.1- Outstanding Claims Reserve (-)		(293,521,967)	(204,650,564)	(251,408,969)	(174,366,607)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	17.16	190,304,196	130,071,349	194,948,714	142,553,405
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(96,453)	(100,251)	(8,801)	(1,502)
2.1- Bonus and Discount Reserve (-)	20	(53,155,570)	(53,278,025)	1,308,920	1,314,359
2.2- Reinsurance Share of Bonus and Discount Reserve (+)	17.16 and 20	53,059,117	53,177,774	(1,317,721)	(1,315,861)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(5,518,986)	(2,686,519)	(6,320,733)	(2,877,445)
4- Operating Expenses (-)	32	(216,281,062)	(108,774,213)	(170,164,084)	(86,817,122)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
5.1- Mathematical Reserves (-)		-	-	-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-	-	-
6- Other Technical Expenses (-)	47	(26,406,764)	(13,721,418)	(21,492,205)	(9,614,885)
6.1- Gross Other Technical Expenses (-)	47	(26,406,764)	(13,721,418)	(21,492,205)	(9,614,885)
6.2- Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
<b>C- Non Life Technical Net Profit (A-B)</b>		<b>157,019,542</b>	<b>74,968,369</b>	<b>106,197,981</b>	<b>59,437,895</b>
<b>D- Life Technical Income</b>		<b>68,636</b>	<b>33,390</b>	<b>71,758</b>	<b>35,826</b>
1- Eamed Premiums (Net of Reinsurer Share)		500	-	2,500	1,000
1.1- Written Premiums (Net of Reinsurer Share)	24	500	-	2,500	1,000
1.1.1- Gross Written Premiums (+)		500	-	2,500	1,000
1.1.2- Ceded Premiums to Reinsurers (-)	17.16	-	-	-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-	-	-
1.2.1- Unearned Premium Reserves (-)		-	-	-	-
1.2.2- Reinsurance Share of Unearned Premiums Reserve (+)	17.16	-	-	-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
1.3.1- Unexpired Risks Reserves (-)		-	-	-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-	-	-
2- Life Branch Investment Income		68,136	33,390	69,258	34,826
3- Unrealized Income from Investments		-	-	-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		-	-	-	-
4.1- Gross Other Technical Income (+/-)		-	-	-	-
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5- Accrued Subrogation and Salvage Income (+)		-	-	-	-
<b>E- Life Technical Expense</b>		<b>(75,898)</b>	<b>(47,070)</b>	<b>(150,622)</b>	<b>(86,591)</b>
1- Total Claims (Net of Reinsurer Share)		(203,583)	(77,290)	(119,707)	(62,056)
1.1- Claims Paid (Net of Reinsurer Share)		(273,316)	(148,025)	(340,682)	(286,994)
1.1.1- Gross Claims Paid (-)		(273,316)	(148,025)	(340,682)	(286,994)
1.1.2- Claims Paid Reinsurer Share (+)		-	-	-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	69,733	70,735	220,975	224,938
1.2.1- Outstanding Claims Reserve (-)		69,733	70,735	220,975	224,938
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)		127,685	30,220	(30,915)	(24,535)
3.1- Actuarial Mathematical Reserve (-)		127,685	30,220	(30,915)	(24,535)
3.1.1- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		114,916	27,198	(27,824)	(22,082)
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		12,769	3,022	(3,091)	(2,453)
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-	-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-	-	-
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	-	-	-	-
6- Investment Expenses (-)		-	-	-	-
7- Unrealized Losses from Investments (-)		-	-	-	-
8- Investment Income Transferred to Non-Technical Part (-)		-	-	-	-
<b>F- Life Technical Profit (D-E)</b>		<b>(7,262)</b>	<b>(13,680)</b>	<b>(78,864)</b>	<b>(50,765)</b>
<b>G- Individual Retirement Technical Income</b>		-	-	-	-
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		-	-	-	-
<b>H- Individual Retirement Technical Expense</b>		-	-	-	-
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
<b>I- Individual Retirement Technical Profit (G-H)</b>		-	-	-	-

(\*) Explained in Note 2.1.1 (j).

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF  
30 JUNE 2018 AND 31 DECEMBER 2017**

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

II-NON TECHNICAL PART	Note	Reviewed	Unreviewed	Restated Reviewed (*)	Restated Unreviewed (*)
		Current Period	Current Period	Previous Period	Previous Period
		01/01/2018- 30/06/2018	01/04/2018- 30/06/2018	01/01/2017- 30/06/2017	01/04/2017- 30/06/2017
C- Non Life Technical Profit (A-B)		157,019,542	74,968,369	106,197,981	59,437,895
F- Life Technical Profit (D-E)		(7,262)	(13,680)	(78,864)	(50,765)
I- Individual Retirement Technical Profit (G-H)		-	-	-	-
J- Total Technical Profit (C+F+I)		157,012,280	74,954,689	106,119,117	59,387,130
K- Investment Income		202,649,311	126,024,260	125,165,118	52,719,778
1- Income From Financial Investment	26	69,241,773	30,788,250	31,502,353	16,652,101
2- Income from Sales of Financial Investments	26	32,416,835	20,624,573	10,570,951	6,899,802
3- Revaluation of Financial Investments	26	(16,613,735)	(16,497,220)	9,630,527	4,658,139
4- Foreign Exchange Gains	36	76,968,662	51,344,806	51,365,995	11,961,258
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building	26	-	-	-	-
8- Income from Derivatives	13	40,635,776	39,763,851	22,095,292	12,548,478
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		-	-	-	-
L- Investment Expenses (-)		(212,831,476)	(131,233,698)	(133,487,678)	(57,042,944)
1- Investment Management Expenses (including interest) (-)		-	-	-	-
2- Valuation Allowance of Investments (-)		-	-	-	-
3- Losses On Sales of Investments (-)	26	(29,330)	(10,705)	(2,229,947)	(2,229,947)
4- Investment Income Transferred to Life Technical Part (-)		(117,243,356)	(61,720,290)	(76,778,425)	(39,705,955)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(85,406,982)	(64,323,622)	(46,156,745)	(10,783,876)
7- Depreciation Expenses (-)	5, 6 and 8	(10,151,808)	(5,179,081)	(8,322,561)	(4,323,166)
8- Other Investment Expenses (-)		-	-	-	-
M- Other Income and Expenses (+/-)	47	(21,985,254)	(12,128,295)	(31,807,474)	(16,477,490)
1- Provisions Account (+/-)	47	(19,839,649)	(10,169,868)	(13,054,478)	(6,343,532)
2- Discount account (+/-)	47	-	-	-	(500,504)
3- Mandatory Earthquake Insurance Account (+/-)	47	1,039,827	164,555	629,785	629,785
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferred Tax Asset Accounts(+/-)	35 and 47	314,144	(61,925)	(15,834,183)	(8,538,233)
6- Deferred Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	635,323	68,282	266,340	107,007
8- Other Expense and Losses (-)	47	(4,134,899)	(2,129,339)	(3,814,938)	(1,832,013)
9- Prior Period Income	47	-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
N- Net Profit / (Loss)	37	96,049,122	44,792,159	64,640,698	37,238,089
1- Profit / (Loss) Before Tax		124,844,861	57,616,956	65,989,083	38,586,474
2- Corporate Tax Liability Provision (-)	35	(28,795,739)	(12,824,797)	(1,348,385)	(1,348,385)
3- Net Profit (Loss)		96,049,122	44,792,159	64,640,698	37,238,089
4- Inflation Adjustment Account		-	-	-	-

(\*) Explained in Note 2.1.1 (j).

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

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017

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

### Statement of Changes in Equity - 1 January - 30 June 2018 (\*)

AKSİGORTA A.Ş.

AKSİGORTA ANONİM ŞİRKETİ  
STATEMENT OF CHANGES IN EQUITY \*  
(Reviewed)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2017)	306,000,000	-	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2018)	306,000,000	-	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	(6,337,524)	-	-	-	-	-	-	-	(6,337,524)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	7,327,820	-	-	7,327,820
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	96,049,122	-	96,049,122
I- Dividend distributed	-	-	-	-	-	-	-	-	(110,160,000)	-	(110,160,000)
J- Transfer	-	-	-	-	-	15,835,334	-	991,349	(16,826,683)	-	-
II- Closing Balance (30/06/2018) (III+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(6,351,994)	-	-	15,835,334	62	118,098,992	96,049,122	86,350,467	615,981,983

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

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017

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

### Statement of Changes in Equity - 1 January - 30 June 2017 (\*)

AKSIGORTA A.Ş.

AKSIGORTA ANONİM ŞİRKETİ  
STATEMENT OF CHANGES IN EQUITY \*  
(Reviewed)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
<b>I - Closing Balance of Prior Period (31/12/2016)</b>	<b>306,000,000</b>	-	(7,203,045)	-	-	83,064,172	62	108,747,535	48,167,276	(135,932,409)	402,843,591
<b>II - Amendments in Accounting Policy</b>	-	-	-	-	-	-	-	-	8,987,286	82,064,142	91,051,428
<b>III - Current Balance (I + II) (01/01/2017)</b>	<b>306,000,000</b>	-	(7,203,045)	-	-	83,064,172	62	108,747,535	57,154,562	(53,868,267)	493,895,019
<b>A- Capital increase (A1 + A2)</b>	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
<b>B- Equity shares purchased by the company</b>	-	-	-	-	-	-	-	-	-	-	-
<b>C- Income / (expense) recognized directly in the equity</b>	-	-	-	-	-	-	-	-	-	-	-
<b>D- Revaluation of financial assets (Note 16.1)</b>	-	-	6,779,000	-	-	-	-	-	-	-	6,779,000
<b>E- Translation reserves</b>	-	-	-	-	-	-	-	-	-	-	-
<b>F- Other income / (expenses)</b>	-	-	-	-	-	-	-	(1,192,328)	-	-	(1,192,328)
<b>G- Inflation adjustment differences</b>	-	-	-	-	-	-	-	-	-	-	-
<b>H- Period net profit (Note 37)</b>	-	-	-	-	-	-	-	-	64,640,698	-	64,640,698
<b>I- Dividend distributed</b>	-	-	-	-	-	-	-	-	-	-	-
<b>J- Transfer</b>	-	-	-	-	-	(83,064,172)	-	-	(57,154,562)	140,218,734	-
<b>II- Closing Balance (30/06/2017) (III+ A+B+C+D+E+F+G+H+I+J)</b>	<b>306,000,000</b>	-	(424,045)	-	-	-	62	107,555,207	64,640,698	86,350,467	564,122,389

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

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE CASH FLOWS  
FOR THE PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

CASHFLOW STATEMENT			
	Note	Reviewed	Reviewed
		30/06/2018	30/06/2017
<b>A. CASH FLOWS FROM THE OPERATING ACTIVITIES</b>			
1. Cash inflows from the insurance operations		2,149,078,539	1,439,782,648
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(1,802,115,361)	(1,180,399,414)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
<b>7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)</b>		<b>346,963,178</b>	<b>259,383,234</b>
8. Interest payments (-)		-	-
9. Income tax payments (-)		(26,860,137)	(3,583,729)
10. Other cash inflows		-	30,575,431
11. Other cash outflows (-)		(81,368,134)	(115,540,684)
<b>12. Net cash generated from the operating activities</b>		<b>238,734,907</b>	<b>170,834,252</b>
<b>B. CASH FLOWS FROM THE INVESTING ACTIVITIES</b>			
1. Sale of tangible assets		465,643	-
2. Purchase of tangible assets (-)	6	(8,243,868)	(365,099)
3. Acquisition of financial assets (-)		(86,787,523)	(65,675,490)
4. Sale of financial assets		130,744,068	445,391,804
5. Interest received		69,241,773	48,797,867
6. Dividends received		-	-
7. Other cash inflows		18,426,907	22,095,292
8. Other cash outflows (-)	8	-	(412,704)
<b>9. Net cash generated from the investing activities</b>		<b>123,847,000</b>	<b>449,831,670</b>
<b>C. CASH FLOWS FROM THE FINANCING ACTIVITIES</b>			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)	38	(110,160,000)	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
<b>7. Cash generated from the financing activities</b>		<b>(110,160,000)</b>	<b>-</b>
<b>D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>(14,963,567)</b>	<b>(13,225,181)</b>
<b>E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)</b>		<b>237,458,340</b>	<b>607,440,741</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>14</b>	<b>1,200,503,027</b>	<b>332,076,914</b>
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	<b>14</b>	<b>1,437,961,367</b>	<b>939,517,655</b>

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

(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 30 June 2018, 38.02% (31 December 2017: 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 18 February 2011. At the date of 29 July 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

#### 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 25 April 1960. The headquarter of the Company is located at ‘Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye - İstanbul’.

#### 1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region. As of 30 June 2018, the Company has 2,593 authorized agencies (31 December 2017: 2,403).

#### 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

	<b>1 January - 30 June 2018</b>	<b>1 January - 31 December 2017</b>
Top executive	8	8
Manager and assistant manager	98	95
Specialist/Executives	635	518
<b>Total</b>	<b>741</b>	<b>621</b>

(\*) As of 30 June 2018, the Company has 90 part-time employees based on the project.

#### 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 2,923,970 in total for the period 1 January - 30 June 2018, 1 April - 30 June 2018: TL 1,424,869,(1 January - 30 June 2017: TL 3,086,893, 1 April - 30 June 2017: TL 1,645,708).



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**1. General Information (Continued)**

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

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry Undersecretariat Treasury ("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 is dated 4 January 2008" is changed to "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance in relation amending No. 2010/9 is dated 9 August 2010."

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

**1.8 Stand-alone or consolidated financial statements**

The accompanying financial statements comprise the stand-alone financial statements for Aksigorta A.Ş. as of 30 June 2018.

**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**

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 Undersecretariat of the Treasury and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on 14 June 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 30 December 2004 (Insurance Accounting System Communiqué No:1) and announcement of new account codes in the Insurance Account Plan dated 27 December 2011 and numbered 2011/14. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 June 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated 31 May 2012 and numbered 2012/7.

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

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

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

As of 1 January 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 14 July 2007 and effective from 1 January 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 18 February 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 31 March 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 31 December 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 31 March 2010.

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of 30 June 2018 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 28 July 2010 and published in official gazette numbered 27655 and published in Oficial Gazzette dated 17 July 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Treasury").

The Public Oversight, Accounting and Auditing Standards Agency (POA), established in accordance with the Statutory Decree published in the Official Gazette dated 2 November 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 13 January 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.

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

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

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated 19 October 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 6 December 2012 and numbered 6362, Insurance Law dated 3 June 2007 and numbered 5684, Individual Saving and Investment System Law dated 28 March 2001 and numbered 4632 and regulations pertaining to their own clauses.

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

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

**a. Preparation of Financial Statements in Hyperinflationary Periods**

In accordance with the Undersecretariat of the Treasury's statement no: 19387 issued on 4 April 2005, the Company's financial statements as of 31 December 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 15 November 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 30 June 2018, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of 31 December 2004 (for inputs prior to 31 December 2004) and carrying inputs subsequent to 31 December 2004 at nominal value.

**b. Comparative Information and Restatement of Prior Period Financial Statements**

The Company's balance sheet as of 30 June 2018 is presented in comparison with its balance sheet as of 31 December 2017; income statement, statement of changes in equity and cash flow statement for the period between 1 January - 30 June 2018 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the period between 1 January - 30 June 2017.

**c. Technical Reserves**

***Unearned Premium Reserve***

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. Commissions paid for written premium and commissions received from ceded premium that hit future months and future income statements are accounted in prepaid expenses and prepaid expenses for future years respectively in balance sheet, net in operating expenses. According to the Technical Reserves Regulation, foreign exchange selling rates declared in the Official Gazette of the CBRT on the date of accrual of the relevant premium are taken into account in the account of the unearned premiums related to the insurance contracts, which are indexed to beverages, if no foreign exchange rate is specified in the insurance contract (Note 20).

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

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

*Deferred commission expense and income*

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

*Unexpired Risks Reserve*

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

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

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

As of 30 June 2018 Unexpired Risk Reserve is calculated in accordance with the Circular 2016/37 for Financial Liability, Motor Liability and General Liability branches and as a result of the calculations made with the old method, there is no provision liability obligation in Motor Liability, Financial Liability and General Liability branches. As of 30 June 2018 a net provision amounting to TL 208,696 for Water Crafts, TL 1,470 for Air Crafts, a total of TL 210,166 net provision is calculated (31 December 2017: 476,121 TL) (Note 20).

*Bonuses and rebates reserve*

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

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TL 53,695,207 and TL 103,520 net at 30 June 2018 (as of 31 December 2017 company has calculated and accounted gross bonus and rebates reserve amounting to 539,637 TL and 7,067 TL net) (Note 20).

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

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

##### *Claims provision*

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

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

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

In accordance with the “Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” published in the Official Gazette dated 28 July 2010 and numbered 27655 and the Circular on Claims Provision dated 5 December 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 5 July 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 5 December 2014 and numbered 2014/16, as of 1 January 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	30 June 2018			31 December 2017		
	Applied Method	Gross Additional Reserve	Net Additional Reserve	Applied Method	Gross Additional Reserve	Net Additional Reserve
Motor Crafts Liability	Frequency/Severity/Standard	349,467,786	349,467,786	Frequency/Severity/Standard	264,561,317	264,561,317
General Liability	Standard Chain/Loss Ratio	49,323,038	22,748,255	Standard Chain/Loss Ratio	63,187,111	24,715,804
General Losses	Bornhuetter-Ferguson	12,929,929	390,348	Bornhuetter-Ferguson	61,875	61,875
Fire and Natural Disaster	Bornhuetter-Ferguson	9,727,519	(2,717,680)	Bornhuetter-Ferguson	778,518	(155,896)
Accident	Bornhuetter-Ferguson	1,168,226	646,960	Bornhuetter-Ferguson	67,073	3,354
Financial Losses	Standard Chain	970,103	(250,119)	Standard Chain	90,295	39
Transportation	Bornhuetter-Ferguson	613,264	(263,693)	Bornhuetter-Ferguson	14,244,613	232,438
Water Crafts	Standard Chain	599,843	468,029	Standard Chain	91,999	2
Health	Standard Chain	388,839	(5,015)	Standard Chain	589,327	197,459
Air Crafts Liability	Standard Chain	250,649	697	Standard Chain	403,593	(35,712)
Suretyship	Standard Chain	133,575	77,533	Standard Chain	260,063	103,141
Legal Protection	Standard Chain	84,368	84,368	Standard Chain	509,889	141,919
Air Crafts	Standard Chain	53,406	8	Standard Chain	986,635	74,780
Credit	Standard Chain	32,277	1,615	Standard Chain	8,453,691	346,676
Motor Own Damage	Standard Chain	(32,952,879)	(32,952,879)	Standard Chain	(19,293,395)	(19,293,395)
<b>Total</b>		<b>392,789,943</b>	<b>337,696,213</b>		<b>334,992,604</b>	<b>270,953,801</b>

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

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

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

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

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

As of 30 June 2018, Outstanding Claim Provision discount is calculated as net TL 150,865,587 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated 10 June 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury (31 December 2017: TL 131,991,307). The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of 30 June 2018, the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

**30 June 2018**

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provisions
Motor Third Party Liability	586,630,323	120,287,351	466,342,972
General Liability	100,436,435	30,578,236	69,858,199
<b>Total</b>	<b>687,066,758</b>	<b>150,865,587</b>	<b>536,201,171</b>

**31 December 2017**

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

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

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

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Undersecretariat of Treasury in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by 30 June 2018 are total number of files subject to calculation, number of files determined as major damage and their shares in total files are as follows;

Branch	30 June 2018				31 December 2017				
	Limit	Big Claim Files Number	Total Number of Files	Elimination (%)	Limit	Big Claim Files Number	Total Number of Files	Elimination (%)	
General Liability	200,000		450	24,922	1.8%	200,000	359	23,511	1.53%
General Losses	999,999		55	151,340	0.0%	999,999	50	145,058	0.03%
Transportation	499,999		49	55,787	0.1%	499,999	45	54,501	0.08%
Fire and Natural Disaster	999,999		149	218,434	0.1%	999,999	135	204,355	0.07%
Accident	299,999		23	6,384	0.4%	299,999	16	6,204	0.30%
Facultative Public Liability	149,999		47	7,683	0.6%	149,999	41	7,393	0.55%
Financial Losses	50,000		38	28,428	0.1%	50,000	35	26,527	0.13%

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

Branch	Gross Additional Amount	Net IBNR
Fire and Natural Disaster	16,569,351	1,606,535
General Losses	12,217,651	102,856
General Liability	3,492,026	866,340
Facultative Public Liability	1,537,455	1,537,455
Financial Losses	1,281,058	60,206
Transportation	1,082,664	154,472

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 1 January 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. The company has not used the gradual transition rate in the Compulsory Traffic and General Liability branches (31 December 2017: gradual transition is not used).

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

***Equalization Reserve***

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

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

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

It is possible to deduct the equalization reserve for earthquake compensations from equalization reserve for outstanding compensation reserve, but not current year’s equalization reserve, upon supplying evidence such as compensation payments for the earthquake, expert reports or the documentation that can be gathered from official institutions. In this extent, as of 30 June 2018, the Company has not deducted any claim amount from equalization reserve for 2011 earthquake.

The Company has calculated TL 76,083,362 (31 December 2017: TL 70,564,376) of equalization reserve as of 30 June 2018 and presented in the long term liabilities in the accompanying financial statements under “Other Technical Reserves” (Note 20).

***Life mathematical reserves***

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

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

**d. Subrogation and salvage income**

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Subrogation and salvage income No. 2015/6, dated 10 February 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 excluded reinsurance share, as of 30 June 2018 are TL 26,691,768 (31 December 2017: TL 23,391,049) and TL 4,992,751 (31 December 2017: TL 4,271,096) 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:

	30 June 2018					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	100,328,331	-	100,328,331	23,253,431	-	23,253,431
Motor Crafts Liability	3,053,377	(88,186)	2,965,191	2,436,821	(449,148)	1,987,673
Fire and Natural Disaster	1,561,751	(471,344)	1,090,407	842,247	(164,400)	677,847
Transportation	1,258,193	(346,872)	911,321	332,820	(40,825)	291,995
General Losses	189,715	(140,716)	48,999	68,757	(22,935)	45,822
Suretyship	126,111	(87,090)	39,021	-	-	-
Legal Protection	12,886	-	12,886	-	-	-
General Liability	12,863	(8,996)	3,867	-	-	-
Water Crafts	-	-	-	435,000	-	435,000
Accident	-	-	-	-	-	-
<b>Total</b>	<b>106,543,227</b>	<b>(1,143,204)</b>	<b>105,400,023</b>	<b>27,369,076</b>	<b>(677,308)</b>	<b>26,691,768</b>



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

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

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

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

**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 30 June 2018, 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 23,081,091 (31 December 2017: TL 22,779,936), 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 2,657,047 (31 December 2017: TL 3,514,000). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 77,903,233 (31 December 2017: TL 72,231,867) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

**g. Earnings per Share**

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

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

**h. Subsequent Events**

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of the Accounting Policies (Continued)**

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

**i. Provisions, Contingent Liabilities and Assets**

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

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

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

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

**j. Changes in Accounting Policies, Accounting Estimates and Errors**

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

The effects of amendments to the accounting policies of discounted outstanding claim on the financial statements prepared as of 30 June 2017 are shown in the following tables.

	1 January - 30 June 2017		
	Previous Reporting	Restated Effect	Restated
Changes in Outstanding Claim provisions (Net of reinsurer share and reserves carried forward) (+/-)	(63,816,186)	7,355,931	(56,460,255)
Changes in Unexpired Risk Provisions (Net of Reinsurer share and reserves carried forward) (+/-)	(390,279)	-	(390,279)
Deferred Tax Account (+/-)	(14,362,997)	(1,471,186)	(15,834,183)
Net Profit	58,755,953	2,877,216	61,633,169

	1 April - 30 June 2017		
	Previous Reporting	Restated Effect	Restated
Changes in Outstanding Claim provisions (Net of reinsurer share and reserves carried forward) (+/-)	(35,572,613)	3,759,411	(31,813,202)
Changes in Unexpired Risk Provisions (Net of Reinsurer share and reserves carried forward) (+/-)	(310,447)	-	(310,447)
Deferred Tax Account (+/-)	(7,786,351)	(751,882)	(8,538,233)
Net Profit	34,230,560	-	34,230,560

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

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

**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 22% on the total income of the Company and its Subsidiaries registered in Turkey in 2018 (2017: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 17th 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 50% 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 30 December 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 2018 and 2017, 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of the Accounting Policies (Continued)**

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

*Deferred income tax (Continued)*

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 June 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020 and with 20% tax for those which will be realized after 2021 and onwards.

As of 30 June 2018, the Company has booked the deferred tax assets in amounting to TL 9,768,944 (31 December 2017: TL 9,702,374). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

*Withholding Tax*

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

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

**2.1.2 Other related accounting policies for the understanding of financial statements**

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

**2.1.3 Functional currency**

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

**2.1.4 Rounding degree used in the financial statements**

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

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

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

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

**2.1.6 The new standards, amendments and interpretations**

**New and revised standards and interpretations**

Turkey Accounting Standards (TAS) or Turkey Financial Reporting Standards (TFRS) in the preparation of financial statements in compliance with standards changes in the footnotes and comments should be shown as follows:

**a) Standards, amendments and interpretations applicable as at 30 June 2018:**

- **TFRS 9, “Financial instruments”;** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **TFRS 15, “Revenue from contracts with customers”;** effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to TFRS 15, “Revenue from contracts with customers”;** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to TFRS 4, “Insurance contracts”;** regarding the implementation of TFRS 9, ‘Financial Instruments’; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- **Amendment to TAS 40, “Investment property”;** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to TFRS 2, “Share based payments”;** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

**2.1.6 The new standards, amendments and interpretations**

**a) Standards, amendments and interpretations applicable as at 30 June 2018 (Continued):**

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - TFRS 1, ‘First time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
  - TAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.
- **TFRIC 22, ‘Foreign currency transactions and advance consideration’;** effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Company, has assessed the effects of the above standards and interpretations and has not reflected on the financial statements for the reason that the effect is not material for the interim period 1 January - 30 June 2018.

**b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018:**

- **Amendment to TFRS 9, “Financial instruments”;** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, “Investments in associates and joint venture”;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, “Leases”;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **TFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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

**2.1.6 The new standards, amendments and interpretations**

**b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018 (Continued):**

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

**2.2 Consolidation**

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "TFRS 10- Consolidated and Separate Financial Statements" as of 30 June 2018 (31 December 2017: 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 30 June 2018 and 31 December 2017.

**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.

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

**2.5 Foreign Currency Translation (Continued)**

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

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

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

**2.6 Tangible assets**

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

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

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:

	<b>Useful Life</b>
Properties	50 Years
Furniture and 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.



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

**2.7 Investment Properties (Continued)**

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

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

**2.8 Intangible Assets**

*Intangible assets acquired*

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

*Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 15 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 (30 June 2018: 15 years - 31 December 2017: 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 30 June 2018, the Company has no financial assets at fair value through profit and loss (31 December 2017: 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.

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

**2.9 Financial Assets (Continued)**

*Available-for-sale financial assets*

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

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

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

*Financial Assets at Insured's Risk*

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

*Loans and receivables*

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

*Associates*

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

**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.

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

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

**2.10 Impairment of Assets (Continued)**

*Impairment of financial assets*

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

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

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

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

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

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

**2.11 Derivative Financial Instruments**

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. The Company’s derivative financial instruments as of 30 June 2018 are as follows:

	<b>30 June 2018</b>	
	<b>Cost Value</b>	<b>Book Value</b>
Derivative Financial Instruments	1,152,360,000	1,174,254,515

**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).

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

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

##### 2.14 Share Capital

As of 30 June 2018, the Company's nominal capital is TL 306,000,000 (31 December 2017: 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:

	30 June 2018		31 December 2017	
	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 18 February 2011. At the date of 29 July 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

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 30 June 2018, Company has TL 500,000,000 registered share capital ceiling. (31 December 2017: TL 500,000,000).

More extensive details related to the company capital are disclosed in the Note 15.

##### 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.

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

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

**2.15 Insurance and Investment Contracts (Continued)**

*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 25 February 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution ("SSI") regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 15 September 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.

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

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

**2.15 Insurance and Investment Contracts (Continued)**

*Premiums Transferred to Social Security Institution (Continued)*

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in 1 January - 30 June 2018 accounting period as TL 46,253,245 (1 January - 30 June 2017: TL 8,441,270) and unearned premium reserve amounting to TL 11,329,403 (1 January - 30 June 2017: TL 339,370) classified under the accounts of "Premiums ceded to SSI" and "SSI share of Unearned Premiums Reserve", respectively (Note 20).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated 22 September 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.

*Premium ceded to Turkish Motor Insurers' Bureau*

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

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

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMIB as of 30 June 2018. As at 30 June 2018, the Company accounted TL 95,513,795 premium ceded to the Pool and TL 20,850,522 paid claim; TL 33,681,562 premium which is reported as Company share from the pool, TL 9,873,179 claims paid, TL 34,408 recourse and TL 84,544 TL salvage are accounted in accordance with the related legislation.

**2.16 Insurance and Investment Contracts With Discretionary Participation Features**

None (31 December 2017: None).

**2.17 Investment Contracts without Discretionary Participation Features**

None (31 December 2017: None).

**2.18 Borrowings**

None (31 December 2017: 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).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of the Accounting Policies (Continued)**

**2.20 Provisions**

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

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

Liabilities that 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 28 July 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.

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

**2.22 Finance Lease - The Company as lessee (Continued)**

*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 30 June 2018, the Company has paid in advance in amounting to TL 6,144,736. As at 30 June 2018, amount of TL 60,610,641 (USD 13,289,767), the maturity of outstanding operational lease liability is between 1 July 2018 - 5 May 2024 (31 December 2017: TL 54,022,476 , maturity between 1 January 2017 - 5 May 2024).

**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 1 February 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 30 June 2018 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.



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

**2.25 Related parties (Continued)**

- 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 30 June 2018 and 31 December 2017, 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:

	30 June 2018		31 December 2017	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	4.5607	5.3092	3.7719	4.5155
Selling rate	4.5758	5.3268	3.7843	4.5305

**2.27 Convenience Translation into English**

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

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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### 3. Significant Accounting Estimates and Requirements

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

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

### 4. Insurance and Financial Risk Management

#### 4.1 Insurance Risk

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

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

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

##### 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 Notes*

2018		2017	
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
African Re	A-	Allianz Risk Transfer	AA-
ARIG	NR	Amlin Re	A
Asia Capital Re	A-	Arab Re	-
China Property & Casualty Reinsurance Company Limited	A	ARIG	-
Covea Cooperations	A+	Asia Capital	A-
Everest Re	A+	XL,Catlin Re	A+
Fair Pool	NR	China Re	A
GIC	NR	Covea	A+
Hannover Re	AA-	Everest Re	A+
Korean Re	A	GIC	-
Mapfre Re	A	Hannover Re	AA-
Milli Re	tr AA	QBE	A+
MS Amlin AG	A	Korean Re	A
Odyssey Re	A-	Malaysian Re	-
Partner Re	A+	Mapfre Re	A
QBE	A+	Milli Re	tr AA-
Samsung Fire&Marine Re	AA-	Odyssey Re	A-
Sava Re	A-	Scor	AA-
Scor Global Life SE Paris	AA-	Sompo Japan	A+
Toa Re	A+	Toa Re	A+
Tokio Millenium Re	A+	Trust Re	A-
Trust Re	A-	VIG	A+
Unipol Re	NR	Coface	Fitch: AA-
VIG	A+		
XL Catlin Re	A+		

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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### 4. Insurance and Financial Risk Management (Continued)

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

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

Total Claims Liability (*)	30 June 2018			31 December 2017			Net Total Claims Liability
	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	
Fire and Natural Disaster	531,509,748	(495,921,547)	35,588,201	447,245,055	(422,119,739)	25,125,316	
Motor Crafts Liability	477,096,939	(10,739,786)	466,357,153	379,599,718	(2,990,355)	376,609,363	
General Losses	229,350,896	(220,840,350)	8,510,546	173,000,569	(164,472,937)	8,527,632	
General Liability	207,475,037	(137,596,919)	69,878,118	181,910,171	(119,910,498)	61,999,673	
Motor Own Damage	84,094,925	(181)	84,094,744	90,144,601	(180)	90,144,421	
Fidelity Guarantee	69,401,723	(67,574,666)	1,827,057	74,152,709	(72,523,921)	1,628,788	
Financial Losses	36,979,133	(33,084,112)	3,895,021	8,404,120	(4,313,119)	4,091,001	
Transportation	26,482,467	(21,417,565)	5,064,902	22,103,955	(16,639,724)	5,464,231	
Air Crafts	13,208,961	(13,203,480)	5,481	10,351,099	(10,346,571)	4,528	
Health	11,464,318	(8,043,596)	3,420,722	9,798,669	(6,830,502)	2,968,167	
Accident	4,982,776	(2,717,127)	2,265,649	3,429,520	(1,564,577)	1,864,943	
Water Crafts	4,965,713	(3,191,010)	1,774,703	4,296,013	(3,132,264)	1,163,749	
Air Crafts Liability	1,034,238	(1,027,165)	7,073	106,835	(106,796)	39	
Credit	583,629	(573,313)	10,316	675,253	(660,356)	14,897	
Legal Protection	308,975	-	308,975	184,142	-	184,142	
Life	128,405	-	128,405	198,138	-	198,138	
<b>Total</b>	<b>1,699,067,883</b>	<b>(1,015,930,817)</b>	<b>683,137,066</b>	<b>1,405,600,567</b>	<b>(825,611,539)</b>	<b>579,989,028</b>	

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

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

	30 June 2018			31 December 2017			
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance	Gross Total Claims Liability	Reinsurance Share	Net Total Claims Liability	
			Share of Total Claims Liability		of Total Claims Liability		
Unpaid Claims	(55,349,641)	1,520,673,622	(1,024,495,587)	496,178,035	1,255,436,620	(814,608,226)	440,828,394
Discount Effect of Reported Claims	18,874,283	(214,524,087)	63,658,499	(150,865,588)	(185,026,795)	53,035,490	(131,991,307)
Claim Provisions (*)	(66,742,413)	392,789,943	(55,093,729)	337,696,214	334,992,602	(64,038,803)	270,953,801
Non-life Total	(103,217,771)	1,698,939,478	(1,015,930,817)	683,008,661	1,405,402,427	(825,611,539)	579,790,888
Life	69,733	128,405	-	128,405	198,140	-	198,140
<b>Grand Total</b>	<b>(103,148,038)</b>	<b>1,699,067,883</b>	<b>(1,015,930,817)</b>	<b>683,137,066</b>	<b>1,405,600,567</b>	<b>(825,611,539)</b>	<b>579,989,028</b>

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

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## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 4. Insurance and Financial Risk Management (Continued)

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

##### Outstanding Claim Reserve:

	30 June 2018			30 June 2017		
	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 - 1 January	1,070,409,825	(761,572,736)	308,837,089	609,929,963	(362,687,820)	247,242,143
Opened in the Period	1,117,709,933	(450,072,998)	667,636,935	795,307,536	(338,307,115)	457,000,421
Paid from Current Period (-)	(480,561,218)	134,748,106	(345,813,112)	(346,224,290)	90,354,852	(255,869,438)
Paid from Previous Period (-)	(186,884,918)	52,402,041	(134,482,877)	(86,556,073)	22,588,713	(63,967,360)
Period End Reported Claims	1,520,673,622	(1,024,495,587)	496,178,035	972,457,137	(588,051,369)	384,405,768
Life	128,405	-	128,405	194,999	-	194,999
Discount Effect of Reported Claims IBNR	(214,524,087)	63,658,499	(150,865,588)	(157,990,425)	36,820,209	(121,170,216)
	392,789,943	(55,093,729)	337,696,214	328,452,427	(58,790,379)	269,662,048
<b>Total</b>	<b>1,699,067,883</b>	<b>(1,015,930,817)</b>	<b>683,137,066</b>	<b>1,143,114,138</b>	<b>(610,021,539)</b>	<b>533,092,599</b>

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 30 June 2018:

	1/07/2012	1/07/2013	1/07/2014	1/07/2015	1/07/2016	1/07/2017	1/07/2018	Gross Claim
	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	
Claim realized in the accident period	846,391,882	703,122,492	740,127,447	921,276,704	771,427,801	1,143,101,874	1,339,731,936	6,465,180,138
1 year later	259,251,101	141,593,776	212,918,108	267,970,503	203,985,590	853,337,768	-	1,939,056,846
2 years later	120,515,195	59,233,190	95,353,856	153,366,603	130,022,115	-	-	558,490,958
3 years later	66,795,377	51,430,852	90,565,504	159,801,362	-	-	-	368,593,095
4 years later	60,820,800	44,214,487	80,511,378	-	-	-	-	185,546,664
5 years later	37,269,182	48,043,620	-	-	-	-	-	85,312,802
6 years later	36,512,970	-	-	-	-	-	-	36,512,970
<b>Total</b>								<b>9,638,693,473</b>

#### Gross claim development table prepared on the principles of incurred claims by 31 December 2017:

	1/01/2011	1/01/2012	1/01/2013	1/01/2014	1/01/2015	1/01/2016	1/01/2017	Gross Claim
	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	
Claim realized in the accident period	642,284,589	805,349,551	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	6,097,599,887
1 year later	161,696,125	202,475,497	160,181,399	239,937,131	216,699,946	420,934,178	-	1,401,924,276
2 years later	88,508,996	63,973,821	84,819,582	144,014,861	126,303,760	-	-	507,621,020
3 years later	49,873,092	54,371,949	67,301,173	120,606,234	-	-	-	292,152,448
4 years later	52,872,654	51,998,685	65,886,722	-	-	-	-	170,758,061
5 years later	29,563,327	47,498,241	-	-	-	-	-	77,061,568
6 years later	26,569,822	-	-	-	-	-	-	26,569,822
<b>Total</b>								<b>8,573,687,082</b>

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

**4. Insurance and Financial Risk Management (Continued)**

**4.2 Financial Risk**

**4.2.1 Capital risk management and capital requirement**

The Company’s main purpose in capital management is to maintain its status as an revenue generating company of the group and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on 19 January 2008. The Undersecretariat of Treasury has not published capital adequacy calculation tables for the interim period ended on 30 June 2018 as of publication date of financial statements. The minimum required capital of the company as of 31 December 2017, calculated within the framework of the regulation on capital adequacy measurement is TL 512,346,078. The Company management believes that, as of 30 June 2018, the necessary capital adequacy has been provided for the interim period 1 January - 30 June 2018 considering the movement of equity.

**4.2.2 Financial risk factors**

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

***Market risk***

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

***Exchange rate risk***

The Company’s foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of 30 June 2018 and 31 December 2017 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.

	<b>30 June 2018</b>		<b>31 December 2017</b>	
	<b>USD Effect</b>	<b>EUR Effect</b>	<b>USD Effect</b>	<b>EUR Effect</b>
Profit / Loss Increase	(2,068,859)	2,854,531	4,298,257	2,393,348
Profit / Loss (Decrease)	2,068,859	(2,854,531)	(4,298,257)	(2,393,348)

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**4. Insurance and Financial Risk Management (Continued)**

**4.2.2 Financial risk factors (Continued)**

*Interest rate risk*

	<b>30 June 2018</b>	<b>31 December 2017</b>
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1	(20,010)	(2,227,928)
-% 1	21,186	2,797,224
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1		(2,208,261)
-% 1		2,776,393
+% 1 Financial Assets with Risks on Policy Holders	(20,010)	(19,667)
-% 1 Financial Assets with Risks on Policy Holders	21,186	20,831

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

*Price risk*

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company's sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of 30 June 2018.

	<b>30 June 2018</b>	<b>31 December 2017</b>
Total	Available For Sale	
Price increase / (decrease)	TL	
+% 10	48,932,978	51,699,283
-% 10	(48,932,978)	(51,699,283)

*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 30 June 2018, 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.

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## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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### 4. Insurance and Financial Risk Management (Continued)

#### 4.2.2 Financial risk factors (Continued)

##### *Liquidity risk table*

30 June 2018

	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	701,843,265	901,082,639	-	-	-	18,107,595	1,621,033,499
Financial Assets Available for Sale	-	9,683,089	84,362,266	162,195,530	27,589,714	205,499,185	489,329,784
Investments with Risks on Policy Holders	-	-	-	2,622,040	-	-	2,622,040
Receivables From Main Operations	165,631,938	198,009,441	176,758,345	26,928,793	-	-	567,328,517
Due from Related Parties	-	-	463,288	-	-	-	463,288
Other Receivables	-	-	23,405,831	-	-	-	23,405,831
Prepaid Expenses and Income Accruals	52,857,623	52,156,508	155,050,980	-	-	-	260,065,111
Other Current Assets	124,080	-	3,488,213	-	-	-	3,612,293
Tangible Fixed Assets	-	-	-	-	-	24,157,760	24,157,760
Intangible Fixed Assets	-	-	-	-	-	46,522,845	46,522,845
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149,980	-	-	149,980
Other Non-current Assets	-	-	-	-	-	9,768,944	9,768,944
<b>Total Assets</b>	<b>920,456,906</b>	<b>1,160,931,677</b>	<b>443,528,923</b>	<b>191,896,343</b>	<b>27,589,714</b>	<b>304,056,329</b>	<b>3,048,459,892</b>
Payables From Main Operations	231,644,582	119,525,807	116,656,646	544,159	-	-	468,371,194
Due to Related Parties	211,457	-	1,143	-	-	-	212,600
Other Payables	-	68,071,082	-	-	-	-	68,071,082
Insurance Technical Reserves	425,325,618	351,336,768	785,632,431	61,447,547	5,622,343	-	1,629,364,707
Taxes and Other Liabilities and Provisions	-	33,421,178	-	-	-	-	33,421,178
Cost Expense Provisions	-	-	46,446,367	-	-	-	46,446,367
Prepaid Income and Expense Accruals	8,453,360	16,456,363	78,021,314	-	-	-	102,931,037
Long Term Insurance Technical Reserves	-	-	-	1,481,442	76,083,362	-	77,564,804
Provisions for Other Risks	-	-	-	-	-	6,094,940	6,094,940
Shareholders' Equity	-	-	-	-	-	615,981,983	615,981,983
<b>Total Liabilities and Shareholders' Equity</b>	<b>665,635,017</b>	<b>588,811,198</b>	<b>1,026,757,901</b>	<b>63,473,148</b>	<b>81,705,705</b>	<b>622,076,923</b>	<b>3,048,459,892</b>
<b>Liquidity Surplus / (Deficit)</b>	<b>254,821,889</b>	<b>572,120,479</b>	<b>(583,228,978)</b>	<b>128,423,195</b>	<b>(54,115,991)</b>	<b>(318,020,594)</b>	<b>-</b>

31 December 2017

	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	480,433,483	856,650,464	-	-	-	14,962,540	1,352,046,487
Financial Assets Available for Sale	5,441,840	5,261,658	72,340,849	175,656,024	24,969,288	233,323,169	516,992,828
Investments with Risks on Policy Holders	-	-	-	2,514,414	-	-	2,514,414
Receivables From Main Operations	100,695,396	159,738,668	248,514,321	17,668,434	-	-	526,616,819
Due from Related Parties	-	-	124,226	-	-	-	124,226
Other Receivables	-	-	16,815,829	-	-	-	16,815,829
Prepaid Expenses and Income Accruals	27,770,878	47,256,775	132,983,832	-	-	-	208,011,485
Other Current Assets	100,926	-	4,056,588	-	-	-	4,157,514
Tangible Fixed Assets	-	-	-	-	-	26,277,477	26,277,477
Intangible Fixed Assets	-	-	-	-	-	46,544,719	46,544,719
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	2,963,592	-	-	2,963,592
Other Non-current Assets	-	-	-	-	-	9,702,374	9,702,374
<b>Total Assets</b>	<b>614,442,523</b>	<b>1,068,907,565</b>	<b>474,835,645</b>	<b>198,802,464</b>	<b>24,969,288</b>	<b>330,810,279</b>	<b>2,712,767,764</b>
Payables From Main Operations	-	-	-	-	-	-	-
Due to Related Parties	165,433,869	26,598,932	114,731,000	1,480,480	-	-	308,244,281
Other Payables	182,978	-	1,143	-	-	-	184,121
Insurance Technical Reserves	-	76,722,322	-	-	-	-	76,722,322
Taxes and Other Liabilities and Provisions	290,312,759	318,586,178	708,891,278	120,039,566	26,573,463	-	1,464,403,244
Cost Expense Provisions	-	40,735,458	-	-	-	-	40,735,458
Prepaid Income and Expense Accruals	-	-	36,798,073	-	-	-	36,798,073
Long Term Insurance Technical Reserves	6,424,855	12,507,423	59,298,985	-	-	-	78,231,263
Provisions for Other Risks	-	-	-	1,609,127	70,564,376	-	72,173,503
Other Long Term Liabilities	-	-	-	-	-	6,172,934	6,172,934
Shareholders' Equity	-	-	-	-	-	629,102,565	629,102,565
<b>Total Liabilities and Shareholders' Equity</b>	<b>462,354,461</b>	<b>475,150,313</b>	<b>919,720,479</b>	<b>123,129,173</b>	<b>97,137,839</b>	<b>635,275,499</b>	<b>2,712,767,764</b>
<b>Liquidity Surplus / (Deficit)</b>	<b>152,088,062</b>	<b>593,757,252</b>	<b>(444,884,834)</b>	<b>75,673,291</b>	<b>(72,168,551)</b>	<b>(304,465,220)</b>	<b>-</b>

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**4. Insurance and Financial Risk Management (Continued)**

**4.2.2 Financial risk factors (Continued)**

*Categories of Financial Assets:*

Current Financial Assets	30 June 2018		31 December 2017	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	489,329,784	489,329,784	516,992,828	516,992,828
Financial Investments with Risks on Policy Holders	2,622,040	2,622,040	2,514,414	2,514,414
Impairment Provision for Affiliates	-	-	-	-
<b>Non-Current Financial Assets</b>				
Affiliates	30,116,653	30,116,653	30,116,653	30,116,653
Impairment Provision for Affiliates	(30,116,653)	(30,116,653)	(30,116,653)	(30,116,653)
<b>Total Financial Assets</b>	<b>491,951,824</b>	<b>491,951,824</b>	<b>519,507,242</b>	<b>519,507,242</b>

*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.

	30 June 2018	Category 1	Category 2	Category 3
Financial Assets Available for Sale	489,329,784	489,329,784	-	-
Government Bonds & Treasury Bills	293,352,216	293,352,216	-	-
Investment Funds	195,977,568	195,977,568	-	-
Financial Investments with Risks on Policy Holders	2,622,040	2,622,040	-	-
<b>Total</b>	<b>491,951,824</b>	<b>491,951,824</b>	-	-

	31 December 2017	Category 1	Category 2	Category 3
Financial Assets Available for sale	516,992,828	516,992,828	-	-
Government Bonds & Treasury Bills	284,015,870	284,015,870	-	-
Investment Funds	232,976,958	232,976,958	-	-
Financial Investments with Risks on Policy Holders	2,514,414	2,514,414	-	-
<b>Total</b>	<b>519,507,242</b>	<b>519,507,242</b>	-	-

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.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value estimates are practicable.



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**4. Insurance and Financial Risk Management (Continued)**

**4.2.2 Financial risk factors (Continued)**

**Financial assets:**

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

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

**Financial liabilities:**

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

**5. Segment information**

**5.1 Operating segments**

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

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

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

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## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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### 5. Segment information (Continued)

#### 5.1 Operating segments (Continued)

#### Segment results for the period 1 January - 30 June 2018:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>85,228,895</b>	<b>19,824,736</b>	<b>344,316,487</b>	<b>382,641,065</b>	<b>90,502,219</b>	<b>12,798,414</b>	<b>31,140</b>	<b>53,220,295</b>	<b>68,636</b>	-	<b>988,631,887</b>
1- Earned Premiums (Net of Reinsurer Share)	71,884,484	15,456,077	331,541,915	313,141,030	73,010,581	11,128,842	23,188	43,480,484	500	-	859,667,101
1.1 - Premiums (Net of Reinsurer Share)	74,094,998	16,281,507	312,632,175	391,188,569	69,597,920	12,037,673	26,827	45,523,904	500	-	921,384,073
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,210,514)	(632,004)	18,909,740	(78,047,539)	2,953,280	(908,831)	(3,639)	(2,043,420)	-	-	(61,982,927)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	(193,426)	-	-	459,381	-	-	-	-	-	265,955
2- Investment Income transferred from Non-Technical Part	12,069,303	2,897,161	7,555,077	65,919,790	17,432,827	1,621,143	7,952	9,740,103	68,136	-	117,311,492
3- Other Technical Income (Net of Reinsurance Share)	-	-	1,959,553	-	-	-	-	-	-	-	1,959,553
4- Accrued Subrogation and Salvage Income (+)	1,275,108	1,471,498	3,259,942	3,580,245	58,811	48,429	-	(292)	-	-	9,693,741
<b>TECHNICAL EXPENSES</b>	<b>(72,845,403)</b>	<b>(7,422,898)</b>	<b>(372,517,877)</b>	<b>(285,591,326)</b>	<b>(51,403,458)</b>	<b>(8,314,198)</b>	<b>(489,953)</b>	<b>(32,958,596)</b>	<b>(75,898)</b>	-	<b>(831,619,607)</b>
1- Total Claims (Net of Reinsurer Share)	(34,433,693)	(3,950,248)	(273,873,768)	(242,233,869)	(19,890,742)	(5,045,326)	(4,858)	(3,807,940)	(203,583)	-	(583,444,027)
1.1- Claims Paid (Net of Reinsurer Share)	(23,970,807)	(3,738,623)	(279,923,445)	(152,486,079)	(11,303,410)	(5,154,400)	(90,524)	(3,355,385)	(273,316)	-	(480,295,989)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(10,462,886)	(211,625)	6,049,677	(89,747,790)	(8,587,332)	109,074	85,666	(452,555)	69,733	-	(103,148,038)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	298	(102,330)	-	5,581	(2)	-	-	-	-	(96,453)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(4,930,094)	-	(356,385)	-	(70,107)	(162,400)	-	-	-	-	(5,518,986)
4- Operating Expenses	(29,351,735)	(3,400,941)	(80,225,934)	(41,809,478)	(30,006,160)	(2,902,372)	(401,003)	(28,183,439)	-	-	(216,281,062)
4.1- Production Commissions (-)	(43,900,397)	(5,764,546)	(54,614,469)	(39,431,424)	(37,163,922)	(8,315,496)	(4,119,549)	(34,395,491)	-	-	(227,705,294)
4.2- Reinsurance Commissions (+)	31,601,871	3,643,520	31,234	9,104,193	14,816,205	7,921,166	4,088,464	14,209,674	-	-	85,416,327
4.3- General Administrative Expenses	(17,053,209)	(1,279,915)	(25,642,699)	(11,482,247)	(7,658,443)	(2,508,042)	(369,918)	(7,997,622)	-	-	(73,992,095)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	127,685	-	127,685
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(4,129,881)	(72,007)	(17,959,460)	(1,547,979)	(1,442,030)	(204,098)	(84,092)	(967,217)	-	-	(26,406,764)
	<b>12,383,492</b>	<b>12,401,838</b>	<b>(28,201,390)</b>	<b>97,049,739</b>	<b>39,098,761</b>	<b>4,484,216</b>	<b>(458,813)</b>	<b>20,261,699</b>	<b>(7,262)</b>	-	<b>157,012,280</b>
Financial income	-	-	-	-	-	-	-	-	-	202,649,311	202,649,311
Depreciation expense	-	-	-	-	-	-	-	-	-	(10,151,808)	(10,151,808)
Provisions account, net	-	-	-	-	-	-	-	-	-	(19,839,649)	(19,839,649)
Tax expenses	-	-	-	-	-	-	-	-	-	(28,795,739)	(28,795,739)
Financial expenses	-	-	-	-	-	-	-	-	-	(202,679,668)	(202,679,668)
Other	-	-	-	-	-	-	-	-	-	(2,145,605)	(2,145,605)
<b>Net Profit / (Loss)</b>	<b>12,383,492</b>	<b>12,401,838</b>	<b>(28,201,390)</b>	<b>97,049,739</b>	<b>39,098,761</b>	<b>4,484,216</b>	<b>(458,813)</b>	<b>20,261,699</b>	<b>(7,262)</b>	<b>(60,963,158)</b>	<b>96,049,122</b>

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 5. Segment information (Continued)

#### 5.1 Operating segments (Continued)

#### Segment results for the period 1 January - 30 June 2017:

	Fire	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>86,695,578</b>	<b>13,393,419</b>	<b>304,953,681</b>	<b>136,753,352</b>	<b>83,173,949</b>	<b>12,408,217</b>	<b>13,192</b>	<b>42,748,787</b>	<b>71,758</b>	-	<b>680,211,933</b>
1- Earned Premiums (Net of Reinsurer Share)	69,236,810	10,640,056	289,726,061	120,470,906	65,784,969	9,893,458	9,766	32,123,296	2,500	-	597,887,822
1.1 - Premiums (Net of Reinsurer Share)	79,981,252	11,357,962	257,141,326	116,535,794	71,240,262	12,811,631	6,824	39,898,357	2,500	-	588,975,908
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,744,442)	(327,627)	32,584,735	3,935,112	(5,455,293)	(2,918,173)	2,942	(7,775,061)	-	-	9,302,193
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	(390,279)	-	-	-	-	-	-	-	-	(390,279)
2- Investment Income transferred from Non-Technical Part	13,991,857	2,854,234	14,919,165	15,021,702	17,312,689	2,484,861	3,426	10,190,491	69,258	-	76,847,683
3- Other Technical Income (Net of Reinsurance Share)	-	-	1,225,489	-	-	-	-	435,000	-	-	1,660,489
4- Accrued Subrogation and Salvage Income (+)	3,466,911	(100,871)	(917,034)	1,260,744	76,291	29,898	-	-	-	-	3,815,939
<b>TECHNICAL EXPENSES</b>	<b>(77,545,500)</b>	<b>(4,964,632)</b>	<b>(296,599,357)</b>	<b>(116,089,950)</b>	<b>(45,125,968)</b>	<b>(7,204,282)</b>	<b>583,193</b>	<b>(26,365,913)</b>	<b>(150,622)</b>	-	<b>(573,463,031)</b>
1- Total Claims (Net of Reinsurer Share)	(42,288,957)	(2,622,853)	(210,951,931)	(93,483,274)	(19,564,005)	(5,654,465)	116,324	(1,507,210)	(119,707)	-	(376,076,078)
1.1- Claims Paid (Net of Reinsurer Share)	(29,091,182)	(976,770)	(202,878,524)	(70,441,452)	(9,427,345)	(3,773,892)	(72,636)	(2,834,315)	(340,682)	-	(319,836,798)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(13,197,775)	(1,646,083)	(8,073,407)	(23,041,822)	(10,136,660)	(1,880,573)	188,960	1,327,105	220,975	-	(56,239,280)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(5,189)	(1,494)	-	-	(2,118)	-	-	-	-	-	(8,801)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(5,582,524)	-	(318,485)	-	(257,878)	(161,846)	-	-	-	-	(6,320,733)
4- Operating Expenses	(26,123,084)	(2,295,405)	(69,316,914)	(22,292,650)	(24,709,140)	(1,304,634)	479,636	(23,972,108)	-	-	(169,534,299)
4.1- Production Commissions (-)	(36,234,023)	(3,977,999)	(49,478,711)	(15,869,174)	(29,383,256)	(6,251,660)	(1,442,794)	(26,402,521)	-	-	(169,040,138)
4.2- Reinsurance Commissions (+)	25,423,624	2,787,177	116	2,043	11,389,984	7,200,376	2,269,584	13,551,991	-	-	62,624,895
4.3- General Administrative Expenses	(15,312,685)	(1,104,583)	(19,838,319)	(6,425,519)	(6,715,868)	(2,253,350)	(347,154)	(11,121,578)	-	-	(63,119,056)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	(30,915)	-	(30,915)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(3,545,746)	(44,880)	(16,012,027)	(314,026)	(592,827)	(83,337)	(12,767)	(886,595)	-	-	(21,492,205)
	<b>9,150,078</b>	<b>8,428,787</b>	<b>8,354,324</b>	<b>20,663,402</b>	<b>38,047,981</b>	<b>5,203,935</b>	<b>596,385</b>	<b>16,382,874</b>	<b>(78,864)</b>	-	<b>106,748,902</b>
Financial income	-	-	-	-	-	-	-	-	-	125,165,118	125,165,118
Depreciation expense	-	-	-	-	-	-	-	-	-	(8,322,561)	(8,322,561)
Provisions account, net	-	-	-	-	-	-	-	-	-	(13,054,478)	(13,054,478)
Tax expenses	-	-	-	-	-	-	-	-	-	(2,819,571)	(2,819,571)
Financial expenses	-	-	-	-	-	-	-	-	-	(125,165,116)	(125,165,116)
Other	-	-	-	-	-	-	-	-	-	(17,911,596)	(17,911,596)
<b>Net Profit / (Loss)</b>	<b>9,150,078</b>	<b>8,428,787</b>	<b>8,354,324</b>	<b>20,663,402</b>	<b>38,047,981</b>	<b>5,203,935</b>	<b>596,385</b>	<b>16,382,874</b>	<b>(78,864)</b>	<b>(42,108,204)</b>	<b>64,640,698</b>

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 6. Tangible Assets

30 June 2018

Cost Value	Owner Occupied	Furnitures and	Other Tangible	Advances for	Total
	Properties	Leased Tangible	Assets (Including		
		Assets	Leasehold	Tangible Assets	
1 January	1,598,569	23,957,267	21,412,252	-	46,968,088
Additions	-	424,558	388,400	-	812,958
Transfers	-	-	-	-	-
Disposals	-	(141,860)	(387,894)	-	(529,754)
<b>30 June</b>	<b>1,598,569</b>	<b>24,239,965</b>	<b>21,412,758</b>	<b>-</b>	<b>47,251,292</b>
<b>Accumulated Depreciation</b>					
1 January	(537,189)	(12,652,946)	(7,580,602)	-	(20,770,737)
Charge for the Period	(15,902)	(1,499,829)	(1,183,293)	-	(2,699,024)
Disposals	-	129,677	246,552	-	376,229
<b>30 June</b>	<b>(553,091)</b>	<b>(14,023,098)</b>	<b>(8,517,343)</b>	<b>-</b>	<b>(23,093,532)</b>
<b>Net Book Value as of 30 June</b>	<b>1,045,478</b>	<b>10,216,867</b>	<b>12,895,415</b>	<b>-</b>	<b>24,157,760</b>

The Company has no impairment loss recognized for tangible fixed assets in the current period (1 January - 31 December 2017: None).

30 June 2017

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

### 7. Investment Properties

30 June 2018

Cost Value	Land	Buildings	Total
1 January	80,126	-	80,126
Disposals	(80,126)	-	(80,126)
Transfers	-	-	-
<b>June 30</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated Depreciation</b>			
1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
<b>30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value as of 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2018**

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

**7. Investment Properties (Continued)**

In the period of 1 January- 30 June 2018, the Company has no obtained rental income from investment properties (1 January - 31 December 2017: none).

**30 June 2017**

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

Accumulated Depreciation

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

**8. Intangible Assets**

**30 June 2018**

<u>Cost Value</u>	<u>Advances for Intangible</u>		<u>Total</u>
	<u>Assets (*)</u>	<u>Rights</u>	
1 January	2,600,646	87,041,349	89,641,995
Additions	608,460	6,822,450	7,430,910
30 June	3,209,106	93,863,799	97,072,905
<u>Accumulated Amortization</u>			
1 January	-	(43,097,276)	(43,097,276)
Charge for the Period	-	(7,452,784)	(7,452,784)
Disposals	-	-	-
30 June	-	(50,550,060)	(50,550,060)
<b>Net Book Value as of 30 June</b>	<b>3,209,106</b>	<b>43,313,739</b>	<b>46,522,845</b>

**30 June 2017**

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

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

As of 30 June 2018, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (31 December 2017: None).

The Company has no goodwill amount in its financial statements.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of 30 June 2018, the Company has an affiliate as Merter BV amounting to TL 30,116,653 (31 December 2017: 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 (31 December 2017: TL 30,116,653) impairment has been detected and disclosed in financial statement as at 30 June 2018 (Note: 11.4).

### 10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

### 11. Financial Assets

#### 11.1 Subcategories of Financial Assets

	30 June 2018	31 December 2017
Financial Assets Available for Sale	489,329,784	516,992,828
Financial Investments with Risks on Policy	2,622,040	2,514,414
<b>Total</b>	<b>491,951,824</b>	<b>519,507,242</b>

#### Financial Assets Available for Sale

	30 June 2018			31 December 2017		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
Private Sector Bond	209,316,025	221,786,552	221,786,552	217,089,791	226,548,745	226,548,745
Investment Fund	170,403,411	195,971,185	195,971,185	189,348,522	232,976,958	232,976,958
Eurobond	71,310,218	62,049,826	62,049,826	58,976,694	57,120,310	57,120,310
Equity Shares (Listed)	9,864,262	9,175,406	9,175,406	-	-	-
Equity Shares (Unlisted)	346,211	-	346,211	346,211	-	346,211
Government Bonds	736	604	604	736	604	604
<b>Total</b>	<b>461,240,863</b>	<b>488,983,573</b>	<b>489,329,784</b>	<b>465,761,954</b>	<b>516,646,617</b>	<b>516,992,828</b>

#### Financial Investments with Risks on Policy Holders

	30 June 2018			31 December 2017		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
Government Bonds	2,495,766	2,622,040	2,622,040	2,495,766	2,514,414	2,514,414

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

#### 30 June 2018

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Borsa İstanbul Listed		9,864,262	9,175,406	9,175,406
Tarım Sigortaları Havuz İşletmesi	4.35	346,211	-	346,211
Unlisted		346,211	-	346,211
<b>Total</b>		<b>10,210,473</b>	<b>9,175,406</b>	<b>9,521,617</b>

#### 31 December 2017

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarım Sigortaları Havuz İşletmesi	4.35	346,211	-	346,211
Unlisted		346,211	-	346,211
<b>Total</b>		<b>346,211</b>	<b>-</b>	<b>346,211</b>

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

**11. Financial Assets (Continued)**

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

The Company does not have assets held for trading as of 30 June 2018 and 31 December 2017.

As of 30 June 2018 and 31 December 2017, 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 (31 December 2017: None).

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

None (31 December 2017: None).

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

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

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

**Unlisted**

	30 June 2018			31 December 2017		
	Participation	Cost Value	Book Value	Participation	Cost Value	Book Value
	Rate			Rate		
	%	TL	TL	%	TL	TL
Merter BV	25	30,116,653	30,116,653	25	30,116,653	30,116,653
Impairment (-)		-	(30,116,653)		-	(30,116,653)
<b>Affiliates (Net)</b>		<b>30,116,653</b>	<b>-</b>		<b>30,116,653</b>	<b>-</b>

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

None (31 December 2017: None).

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

**Type of Financial Asset**

	30 June 2018	31 December 2017	31 December 2016
Financial Assets Available for Sale	(7,939,993)	(18,088)	(9,003,806)

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2018**

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

**11. Financial Assets (Continued)**

**11.8. Financial Instruments**

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

**11.9 Effects of Exchange Rate Differences**

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

**12. Receivables and Payables**

**12.1 Details of the Company’s receivables**

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Receivables from insurance operations</b>		
Receivables from agencies	403,593,097	331,720,383
Bank guaranteed credit card receivables more than three months	103,961,423	144,680,195
Receivables from reinsurance companies	33,638,520	27,938,691
Receivables for salvage and claim recovery - net (Note 2.1.1)	26,691,768	23,391,049
<b>Receivables from insurance operations</b>	<b>567,884,808</b>	<b>527,730,318</b>
Other receivables	230,890	181,097
Cash deposited for insurance and reinsurance companies	30,954	30,954
<b>Receivables from insurance and reinsurance companies</b>	<b>261,844</b>	<b>212,051</b>
Claim recovery receivables under legal follow-up	77,903,233	72,231,867
Doubtful receivables from main operations	29,912,754	29,239,482
<b>Total Doubtful Receivables</b>	<b>107,815,987</b>	<b>101,471,349</b>
<b>Receivables from main operations</b>	<b>675,962,639</b>	<b>629,413,718</b>
Provision for due from insurance operations (-) (*)	(7,649,798)	(7,785,096)
Provision for doubtful receivables from main operations (-) (**)	(23,081,091)	(22,779,936)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(77,903,233)	(72,231,867)
<b>Total provision amount for doubtful and undue receivables</b>	<b>(108,634,122)</b>	<b>(102,796,899)</b>
<b>Receivables from main operations - net</b>	<b>567,328,517</b>	<b>526,616,819</b>

(\*) In balance sheet disclosed under provisions for recourse receivables (30 June 2018: TL 4,992,751 and 31 December 2017: TL 4,271,096) and provisions for premium receivables (30 June 2018: TL 2,657,047 and 31 December 2017: TL 3,514,000) from insurance operations.

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



## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

#### 12. Receivables and Payables

##### 12.1 Details of the Company's receivables (Continued)

Aging of receivables from insurance operations is as follows:

	<b>30 June 2018</b>	<b>31 December 2017</b>
0-90 days	23,349,514	5,070,652
90+	47,094,887	33,158,476
Not due receivables	497,702,251	489,713,241
<b>Total</b>	<b>568,146,652</b>	<b>527,942,369</b>

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

Type of Guarantee	<b>30 June 2018</b>		<b>31 December 2017</b>	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Real Estate Pledges	60,082,741	2,336,702	60,311,241	2,754,202
Letters of Guarantee	39,494,344	-	37,308,334	-
Other	594,479	-	464,359	-
Government Bonds and Equity	252,091	-	240,487	-
<b>Total</b>	<b>100,423,655</b>	<b>2,336,702</b>	<b>98,324,421</b>	<b>2,754,202</b>

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

	<b>2018</b>	<b>2017</b>
Opening Balance, 1 January	(95,011,803)	(79,116,740)
Charge for the Period	(7,952,752)	(21,180,281)
Collections	1,980,231	5,285,218
<b>Closing Balance, 30 June</b>	<b>(100,984,324)</b>	<b>(95,011,803)</b>

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

Due to/from shareholders, affiliates and subsidiaries in balance sheet includes dividends which have paid in previous years but not yet collected by shareholders. As of 30 June 2018, the Company has liabilities amounting to TL 1,143 to shareholders (31 December 2017: TL 1,143).

##### 12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 100,423,655 as of 30 June 2018 (31 December 2017: TL 98,324,421).

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 12. Receivables and Payables (Continued)

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

30 June 2018

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	9,533,742	4.5607	43,480,537
EUR	2,242,552	5.3092	11,906,157
GBP	34,090	5.9810	203,892
CHF	119,782	4.5790	548,482
Other			3,152
<b>Total</b>			<b>56,142,220</b>

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	13,536,167	4.5607	61,734,397
<b>Total</b>			<b>61,734,397</b>

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	39,467,195	4.5607	179,998,036
EUR	17,118,819	5.3092	90,887,234
GBP	170,933	5.9810	1,022,350
CHF	251,623	4.5790	1,152,182
Other			98
<b>Total</b>			<b>273,059,900</b>

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,426,000)	4.5607	(29,307,058)
EUR	(1,299,951)	5.3092	(6,901,700)
Other			(4,048)
<b>Total</b>			<b>(36,212,806)</b>

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(47,357,612)	4.5607	(215,983,861)
EUR	(12,684,846)	5.3092	(67,346,384)
Other			(2,400,337)
<b>Total</b>			<b>(285,730,582)</b>

Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Financial risk protection			
USD	(13,289,767)	4.5607	(60,610,640)
<b>Total</b>			<b>(60,610,640)</b>

<b>Net Foreign Currency Position</b>			<b>8,382,488</b>
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# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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

### 12. Receivables and Payables (Continued)

#### 12.4. Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below (Continued):

31 December 2017

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	6,135,494	3.7719	23,142,470
EUR	1,420,773	4.5155	6,415,500
GBP	92,357	5.0803	469,201
CHF	95,190	3.8548	366,938
Other			3,152
<b>Total</b>			<b>30,397,262</b>
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	15,141,844	3.7719	57,113,521
<b>Total</b>			<b>57,113,521</b>
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	45,975,362	3.7719	173,414,468
EUR	10,498,749	4.5155	47,407,101
GBP	93,403	5.0803	474,515
CHF	14,379	3.8548	55,428
Other			37,491
<b>Total</b>			<b>221,389,003</b>
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,355,551)	3.7719	(23,972,503)
EUR	(897,954)	4.5155	(4,054,711)
Other			(3,438)
<b>Total</b>			<b>(28,030,652)</b>
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(35,179,329)	3.7719	(132,692,911)
EUR	(5,721,273)	4.5155	(25,834,408)
Other			(1,349,223)
<b>Total</b>			<b>(159,876,542)</b>
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Financial risk protection	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(14,322,351)	3.7719	(54,022,476)
<b>Total</b>			<b>(54,022,476)</b>
<b>Net Foreign Currency Position</b>			<b>66,970,117</b>

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2018**

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

**13. Derivative Financial Instruments**

Total income resulting from short-term swap contracts' market valuation has been accounted under "Income from derivatives" in the income statement.

	1 January- 30 June 2018	1 April- 30 June 2018	1 January 30 June 2017	1 April 30 June 2017
<b>Reliazed Deritiatie Investment Income</b>				
Deritiatie Investment Income	18,741,261	18,741,261	22,095,292	12,548,478
<b>Total</b>	<b>18,741,261</b>	<b>18,741,261</b>	<b>22,095,292</b>	<b>12,548,478</b>
<b>Unreliazed Deritiatie Investment Income</b>				
Deritiatie Investment Income	21,894,515	21,022,590	-	-
<b>Total</b>	<b>21,894,515</b>	<b>21,022,590</b>	<b>-</b>	<b>-</b>
<b>Total Deritiatie Investment Income (Net)</b>	<b>40,635,776</b>	<b>39,763,851</b>	<b>22,095,292</b>	<b>12,548,478</b>

**14. Cash and Cash Equivalents**

	30 June 2018	31 December 2017
Cash at Banks	1,229,314,332	966,463,093
Time Deposit	1,211,206,737	951,500,553
Demand Deposit	18,107,595	14,962,540
Bank Guaranteed Credit Card Receivables with Maturities less than three months	391,719,167	385,583,394
<b>Total</b>	<b>1,621,033,499</b>	<b>1,352,046,487</b>
Interest Accrual on Cash and Cash Equivalents (-)	(572,132)	(3,036,758)
Blocked Deposits (*)	(182,500,000)	(148,506,702)
<b>Cash Flow Based Grand Total</b>	<b>1,437,961,367</b>	<b>1,200,503,027</b>

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

The details of interest rates received from time deposits as of 30 June 2018 are as follows:

	30 June 2018	31 December 2017
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	10.5 - 19	7.75 - 15.95
USD	0.10 - 4.5	0.10 - 4.40
EUR	0.90 - 2.5	0.10 - 1.75

As of 30 June 2018, the maturities of TL deposits are between 2 July 2018 and 3 August 2018; while the currency of foreign exchange deposits varies 2 July 2018.

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

As of 30 June 2018, there are no reverse repo transactions accounted for as cash and cash equivalents (31 December 2017: None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**15. Share Capital**

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

The Company's shareholders and its shareholders' equity structure as of 30 June 2018 and 31 December 2017 are presented in Note 2.14.

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

According to the provisions of the tax legislation, 50% of the profits arising from the sales of real estates in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. The exempted profit can not be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. The Sales Profit To Be Added To The Capital account includes the amounts transferred from the real estate sales to the equity.

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

**Legal Reserve**

Information on movements of legal reserves is disclosed in the equity capital change table. In accordance with the related legislation, the Company has transferred legal reserves of TL 15,835,334 from retained earnings (31 December 2017: None).

<b>Special Funds (Reserves)</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Hedge	(24,734,914)	(17,618,783)
Actuarial (loss)/gain	3,031,138	3,242,827
<b>Total</b>	<b>(21,703,776)</b>	<b>(14,375,956)</b>

**Gains from sale of fixed asset**

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

**Retained earnings/Retained losses**

According to the financial statement reflecting the operating results of the year 2017, the Company decided close the "Retained Losses" amounting to TL 4,714,112 with "Retained Earnings" at the Ordinary General Meeting held on 14 March 2018.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**15. Share Capital (Continued)**

**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 (31 December 2017: 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 (31 December 2017: 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 (31 December 2017: 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	
	30 June 2018	31 December 2017
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period, 30 June	<b>30,600,000,000</b>	<b>30,600,000,000</b>

**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), 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) decided to performed within the principal agreement of the companies and 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 (31 December 2017: None).

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

**15. Share Capital (Continued)**

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

None (31 December 2017: None).

**15.4 Share based payments**

None (31 December 2017: 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**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Valuation difference of financial assets		
available for sale	(7,939,993)	(18,088)
Deferred tax effect	1,587,999	3,618
<b>Total</b>	<b>(6,351,994)</b>	<b>(14,470)</b>

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of 1 January 2013, actuarial loss amounting to TL 3,788,923 (Deferred tax effect: TL 757,785), (31 December 2017: 4,043,535 TL, Deferred tax effect: TL 810,707) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity as of 30 June 2018.

As of 30 June 2018, effect of hedge accounting amount of TL 30,918,643 (Deferred tax effect: TL 6,183,729), (31 December 2017: TL 22,023,479, deferred tax effect: TL 4,404,696) 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 (31 December 2017: None).

**16.3 Hedging for forecasted transactions and net investment hedging**

None (31 December 2017: None).

**16.4 Hedging against financial risks**

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

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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2018**

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**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**

	<b>2018</b>	<b>2017</b>
	<b>Increase / (Decrease)</b>	<b>Increase / (Decrease)</b>
Beginning of the period, 1 January	(14,470)	(7,203,045)
Increase / decrease in value recognized under the shareholders' equity in the current period	(6,337,524)	7,188,575
End of the period	<b>(6,351,994)</b>	<b>(14,470)</b>

**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 (31 December 2017: None).

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

None (31 December 2017: 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:

<b>Branch</b>	<b>30 June 2018</b>		<b>31 December 2017</b>	
	<b>Amount to be Provided TL</b>	<b>Current Blockage TL</b>	<b>Amount to be Provided TL</b>	<b>Current Blockage TL</b>
Life	1,807,265	4,618,571	1,752,502	2,514,027
Government Bonds		4,618,571		2,514,027
Non-Life	171,437,254	182,500,000	143,688,634	148,506,702
Time Deposit		182,500,000		148,506,702
<b>Total</b>	<b>173,244,519</b>	<b>187,118,571</b>	<b>145,441,136</b>	<b>151,020,729</b>

\* As of 30 June 2018, the required guarantee amount has been calculated based on capital requirements in 31 December 2017.



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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2018**

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

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

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

	2018		2017	
	Unit	Mathematical reserves TL	Unit	Mathematical reserves TL
Beginning of the period, 1 January	195	1,609,127	251	1,526,588
Participations in the current period	-	-	-	-
Leavings in the current period	(10)	(127,685)	(56)	82,539
<b>End of period,</b>	<b>185</b>	<b>1,481,442</b>	<b>195</b>	<b>1,609,127</b>

Mathematical reserves amounting to TL 1,333,298 (31 December 2017: TL 1,448,214) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting to TL 148,144 (31 December 2017: TL 160,913) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of 30 June 2018, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (31 December 2017: None).

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

Branch	30 June 2018	31 December 2017
Motor Crafts Liability	19,206,960,913,729	13,878,960,700,217
Fire and Natural Disaster	698,610,895,373	617,946,854,752
General Losses	330,748,730,992	296,542,475,228
Transportation	179,100,373,740	121,720,256,160
General Liability	119,224,134,523	92,779,648,466
Motor Own Damage	87,748,517,526	60,499,452,006
Financial Losses	85,833,508,641	74,207,920,751
Accident	48,772,086,551	46,045,029,467
Air Crafts Liability	42,935,115,005	26,982,150,652
Health	15,118,026,301	15,408,442,900
Legal Protection	11,262,811,300	10,990,444,901
Air Crafts	2,629,202,842	2,612,647,022
Water Crafts	2,557,693,597	1,353,710,516
Credit	1,146,663,880	937,307,090
Fidelity Guarantee	1,013,847,491	961,083,936
<b>Total</b>	<b>20,833,662,521,491</b>	<b>15,247,948,124,064</b>

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

None (31 December 2017: None).

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

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

**17.5 Number and amount of participation certificates in portfolio and circulation**

None (31 December 2017: None).

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

None (31 December 2017: None).

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

None (31 December 2017: None).

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

None (31 December 2017: 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 (31 December 2017: None).

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

None (31 December 2017: 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 (31 December 2017: None).

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

None (31 December 2017: 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:

	1 January- 30 June 2018 Profit Share Distribution (%)	1 January- 31 December 2017 Profit Share Distribution (%)
TL (Life Insurance)	9.00	9.00

**17.15 Explanation of information that describes amounts arose from insurance agreements**

None (31 December 2017: None).

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

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

**Reinsurance Assets**

	30 June 2018	31 December 2017
Reinsurance Share of Outstanding Claims Reserve (Note 4.1.2.2)	1,015,930,817	825,611,539
Reinsurance Share of Unearned Premiums Reserve (Note 20)	752,497,369	587,846,797
Reinsurance Share of Equalization Reserve (Note 20)	90,528,441	73,534,993
Receivables from Reinsurance Companies (Note 12.1)	33,638,520	27,938,691
Reinsurance Share of Unexpired Risks Reserve (Note 20)	25,065,888	15,070,795
Cash Deposited For Insurance & Reinsurance Companies (Note 12.1)	30,954	30,954
<b>Total</b>	<b>1,917,691,989</b>	<b>1,530,033,769</b>

**Reinsurance Liabilities**

	30 June 2018	31 December 2017
Payables to Insurance and Reinsurance Companies (Note 19.1)	468,371,194	308,244,281
Deferred Commissions Income (Note 19.1)	102,687,232	78,231,263
<b>Total</b>	<b>571,058,426</b>	<b>386,475,544</b>

**Income / Expense on Reinsurance Agreements**

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Reinsurance Share of Outstanding Claims Reserve	190,304,196	130,071,349	194,948,714	142,553,405
Reinsurance Share of Unearned Premiums Reserve (Note 20)	164,650,572	(12,637,809)	114,006,116	(13,109,706)
Reinsurance Share of Claims Paid	187,150,147	86,449,501	112,943,565	57,794,665
Commissions Received (Note 32)	85,416,327	46,900,049	64,067,440	34,913,512
Reinsurance Share of Unexpired Risks Reserve (Note 20)	9,995,093	17,639,498	625,675	460,848
Premiums Ceded to Reinsurers (-)	(754,698,330)	(306,843,096)	(528,908,267)	(206,809,204)
<b>Total</b>	<b>(117,181,995)</b>	<b>(38,420,508)</b>	<b>(42,316,757)</b>	<b>15,803,520</b>

Branch	30 June 2018			31 December 2017		
	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	(227,859,656)	104,437,197	36,387,966	(213,000,463)	166,131,535	20,774,920
Health	(124,894,256)	35,529,686	71,230,360	(109,159,434)	31,397,330	63,819,318
General Losses	(129,835,154)	149,670,485	24,074,326	(96,140,821)	55,640,551	17,022,330
Motor Crafts Liability	(142,004,970)	52,968,654	20,850,547	(8,966,110)	(3,409,064)	10,910
General Liability	(54,445,040)	29,116,030	6,982,589	(36,775,045)	33,638,979	3,473,936
Financial Losses	(33,494,668)	33,383,059	64	(32,466,408)	13,571,698	967,239
Transportation	(18,942,550)	4,746,125	6,472,061	(13,555,514)	4,964,078	3,335,989
Accident	(5,611,734)	(2,533,766)	2,783,630	(4,473,769)	3,377,254	500,025
Fidelity Guarantee	(1,682,360)	(6,803,062)	15,873,608	(5,137,364)	3,757,897	41,568
Air Crafts Liability	(5,073,625)	1,240,604	-	(2,513,879)	(1,332,224)	240,732
Air Crafts	(3,315,379)	15,351,066	2,182,038	(2,424,130)	265,584	1,520,310
Water Crafts	(3,856,329)	2,170,243	131,351	(2,126,639)	1,235,150	459,593
Credit	(1,330,941)	128,317	181,579	(882,509)	(1,088,572)	776,974
Motor Own Damage	(2,351,668)	(1,395,660)	28	(463,722)	2,439	(279)
Support	-	-	-	(822,460)	110,149	-
Life	-	-	-	-	-	-
Legal Protection	-	-	-	-	-	-
<b>Total</b>	<b>(754,698,330)</b>	<b>418,008,978</b>	<b>187,150,147</b>	<b>(528,908,267)</b>	<b>308,262,784</b>	<b>112,943,565</b>

(\*) According to note 2.15, 46,253,245 TL (30 June 2017: 8,441,270 ) ceded premium amount includes premiums that ceded to Social Security Institution in the branch of Motor Third Party Liability as of 30 June 2018.

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

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

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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#### 17. Insurance Liabilities and Reinsurance Assets

##### 17.17 Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

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

	2018	
	Insurance Payables	Reinsurance Assets
Beginning of the period, 1 January	386,475,544	1,530,033,769
Net change for the year	184,582,882	387,658,220
<b>End of the period, 30 June</b>	<b>571,058,426</b>	<b>1,917,691,989</b>

	2017	
	Insurance Payables	Reinsurance Assets
Beginning of the period, 1 January	222,845,499	897,101,818
Net change for the year	129,891,927	202,206,393
<b>End of the period, 30 June</b>	<b>352,737,426</b>	<b>1,099,308,211</b>

##### 17.20 Deferred commissions expenses

As of 30 June 2018, commission paid intermediary for policy production, TL 218,261,749 (31 December 2017: TL 197.757.608) is accounted in "Deferred Commission Expenses" account in the balance sheet.

#### 18. Investment Contract Liabilities

Disclosed in Note 17.3.

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2018

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#### 19. Trade and Other Payables, Deferred Income

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Payables to insurance and reinsurance companies (Note 17.16)	468,371,194	308,244,281
<b>Payables from Insurance Operations</b>	<b>468,371,194</b>	<b>308,244,281</b>
Payables to Turkish Catastrophe Insurance Pool	23,986,669	24,947,212
Payables to suppliers	3,852,749	15,121,193
Payables to contracted enterprises	14,073,283	8,522,694
Turkish Catastrophe Insurance Pool Payables to agencies	893,901	714,749
Other	4,695,991	3,305,549
<b>Other Payables</b>	<b>47,502,593</b>	<b>52,611,397</b>
<b>Payables to SSI regarding medical expenses</b>	<b>20,568,254</b>	<b>24,110,925</b>
Deferred commission income (Note 17.16)	102,687,232	78,231,263
Expense accruals	46,446,367	36,798,073
Other	243,805	-
<b>Deferred Income and Expense Accruals</b>	<b>149,377,404</b>	<b>115,029,336</b>
<b>Total Short Term Liabilities</b>	<b>685,819,446</b>	<b>499,995,939</b>
<b>Total Trade and Other Payables, Deferred Income</b>	<b>685,819,446</b>	<b>499,995,939</b>

#### 19.2 Related Parties

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

#### 20. Payables

<b>Insurance Technical Reserves</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Unearned Premiums Reserve - Net (*)	945,913,955	883,931,028
Outstanding Claims Reserve - Net (Note 4.1.2.2)	683,137,066	579,989,028
Equalization Reserve - Net	76,083,362	70,564,376
Mathematical Reserves - Net	1,481,442	1,609,127
Unexpired Risks Reserve - Net	210,166	476,121
Bonuses and rebates reserve - Net	103,520	7,067
<b>Total</b>	<b>1,706,929,511</b>	<b>1,536,576,747</b>

(\*) While calculating the income statement effect of the provisions for unearned premiums, TL 1,285,788 as of 30 June 2018. The deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (31 December 2017: TL 49,612).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of 30 June 2018 which is TL 11,329,403 (30 June 2017: TL 339,370).

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

**20. Payables (Continued)**

The movement of technical reserves are as follows:

**Unearned Premium Reserve:**

	30 June 2018			30 June 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the period, 1 January	1,471,777,825	(587,846,797)	883,931,028	995,397,647	(385,729,268)	609,668,379
Net change	226,633,499	(164,650,572)	61,982,927	104,703,923	(114,006,116)	(9,302,193)
<b>End of the period, 30 June</b>	<b>1,698,411,324</b>	<b>(752,497,369)</b>	<b>945,913,955</b>	<b>1,100,101,570</b>	<b>(499,735,384)</b>	<b>600,366,186</b>

**Unexpired Risk Reserve:**

	30 June 2018			30 June 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the period, 1 January	15,546,916	(15,070,795)	476,121	-	-	-
Net change	9,729,138	(9,995,093)	(265,955)	1,015,954	(625,675)	390,279
<b>End of the period, 30 June</b>	<b>25,276,054</b>	<b>(25,065,888)</b>	<b>210,166</b>	<b>1,015,954</b>	<b>(625,675)</b>	<b>390,279</b>

**Equalization Reserve:**

	30 June 2018			30 June 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the period, 1 January	144,099,369	(73,534,993)	70,564,376	102,406,679	(42,700,763)	59,705,916
Net change	22,512,434	(16,993,448)	5,518,986	21,017,882	(14,697,149)	6,320,733
<b>End of the period, 30 June</b>	<b>166,611,803</b>	<b>(90,528,441)</b>	<b>76,083,362</b>	<b>123,424,561</b>	<b>(57,397,912)</b>	<b>66,026,649</b>

**Provision for bonus and rebates:**

	30 June 2018			30 June 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the period, 1 January	539,637	(532,570)	7,067	1,718,909	(1,715,452)	3,457
Net change	53,155,570	(53,059,117)	96,453	(1,308,920)	1,317,721	8,801
<b>End of the period, 30 June</b>	<b>53,695,207</b>	<b>(53,591,687)</b>	<b>103,520</b>	<b>409,989</b>	<b>(397,731)</b>	<b>12,258</b>

**Outstanding Claims Reserve:**

The movement of Outstanding Claims Reserve for 2018 and 2017 are presented in Note 4.1.2.3.

**21. Deferred Income Tax**

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**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 2 November 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on 22 March 2007 as effective from the date of publishment in the Official Gazette no: 26479 on 30 June 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 8 May 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9.8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

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

**Retirement Pay Provisions:**

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

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**22. Retirement and Welfare Liabilities (Continued)**

**Retirement Pay Provisions (Continued):**

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017 and 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of 30 June 2018, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 10.23% (31 December 2017: %11.92) and a discount rate of 11% (31 December 2017: 10.9%), resulting in a real interest rate of 4% (31 December 2017: 3%). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirements pay is also taken into account.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. However, during this estimation, other conditions other than the ages specified in subparagraphs (a) and (b) of the first paragraph of Article 60 of Law 506, which are stated in paragraph 1 of Article 14 of the Labor Law No. 1475, temporary. According to Article 81, the severance payments to be made due to the fact that they complete the insured period (15 years) and the number of premium payment days (3600 days) foreseen to be connected to the old-age pension are separated from their estimations.

Resulting from retirement pay liability calculation, actuarial gain amounting to TL 3,788,923 (Deferred tax effect: TL 757,785) has been accounted to extraordinary reserves under equity.

As the maximum liability is updated semi annually, as of 30 June 2018, the maximum amount of TL 5,434.42 effective from 1 June 2018 has been taken into consideration in calculation of provision from employment termination benefits (31 December 2017: TL 5,001.76).

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

	<b>2018</b>	<b>2017</b>
Beginning of the period, 1 January	6,172,934	6,335,367
Charge for the period	579,055	467,172
Actuarial gain/loss	(264,611)	10,160
Retirement payments (-)	(392,438)	(1,033,981)
<b>End of the period, 30 June</b>	<b>6,094,940</b>	<b>5,778,718</b>



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**23. Other Liabilities and Expense Accruals**

**23.1 Provisions related to employee benefits and others**

	2018		2017	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the period, 1 January	1,317,302	1,879,776	904,395	1,529,095
Movements in the current period	408,292	11,365,216	505,983	9,719,780
Payments in the current period	(85,687)	(13,078,766)	(173,314)	(9,479,869)
<b>End of the period, 30 June</b>	<b>1,639,907</b>	<b>166,226</b>	<b>1,237,064</b>	<b>1,769,006</b>

**23.2 Total Amount of Non-liability Commitments**

Company’ s statement of pledges and commitments as of 30 June 2018 and 31 December 2017 are presented below:

	30 June 2018		30 December 2017	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
<b>Collaterals, Pledges and Mortgages Given by the Company (CPM)</b>				
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		921,906		1,456,494
	TL	921,906	1,456,494	1,456,494
	USD	-	-	-
D. Total amount of other CPMs given		565,250		565,250
i. Total amount of CPMs given in favor of the parent company	-	-	-	-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favor of third parties not included in clause C		565,250		565,250
	TL	565,250	565,250	565,250
<b>Total</b>		<b>1,487,156</b>		<b>2,021,744</b>

Other CPM’s given by the Company is zero in proportion to the Company’s equity (31 December 2017: None).

## AKSIGORTA A.Ş.

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#### 23. Other Liabilities and Expense Accruals (Continued)

##### 23.3 Provisions, Contingents Assets and Liabilities

<b>Contingent Liabilities</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Outstanding Claims under litigation (*)	403,643,716	352,548,626
Guarantee fund provision	1,424,105	1,767,737
Business cases provision	1,639,907	1,317,302
<b>Total</b>	<b>406,707,728</b>	<b>355,633,665</b>

	<b>30 June 2018</b>	<b>31 December 2017</b>
Subrogation Receivable Litigations, Gross	105,187,050	96,509,691
Trade receivable litigations and executions	1,980,231	4,123,647
<b>Total</b>	<b>107,167,281</b>	<b>100,633,338</b>

(\*) The litigated outstanding claim provision consist of principal to TL 257,391,332, interest amounting to TL 70,947,693 and expense and counsel fees TL 75,304,691.

As of 24 June 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. There is no accrued interest on this amount as of report date. The Company has not booked any provision on the financial statements since it believes that its practice is in compliance with the regulations. On 16 January 2015, the Company filed a reconciliation request for the year 2009 and on 20 February 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. As a consequence, the reconciliation cannot done and Company sue the Large Taxpayers Office Commission at 27 February 2018.

Competition Authority decided to start investigation with the decision of 18-13/240-M dated 3 May 2018 to determine whether the violation of Article 4 of Law No. 4054 was violated or not against Company and other companies involved in the decision.

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### 23. Other Liabilities and Expense Accruals (Continued)

#### 23.4 Provision for Expense Accruals

	<b>30 June 2018</b>	<b>31 December 2017</b>
Commission provision (*)	14,208,559	13,551,374
Expense provision	10,562,608	3,572,557
Other	9,220,624	3,409,546
Guarantee fund provision	4,827,153	5,767,191
Performance premium provision	4,563,412	7,412,366
Unused vacation provision	1,639,907	1,317,302
Business Cases Provision	1,424,105	1,767,737
<b>Total</b>	<b>46,446,368</b>	<b>36,798,073</b>

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

### 24. Net Insurance Premium Revenue

	1 January - 30 June 2018			1 April - 30 June 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Motor Crafts Liability (*)	314,983,841	(2,351,668)	312,632,173	160,670,721	(1,171,933)	159,498,788
Motor Own Damage	533,193,538	(142,004,969)	391,188,569	241,017,175	(67,442,262)	173,574,913
Fire and Natural Disaster	301,954,654	(227,859,656)	74,094,998	139,257,828	(103,174,322)	36,083,506
General Losses	170,418,161	(124,894,256)	45,523,905	63,959,231	(42,766,947)	21,192,284
Health	170,922,645	(129,835,154)	41,087,491	62,184,492	(42,180,537)	20,003,955
General Liability	63,421,793	(54,442,534)	8,979,259	26,278,402	(21,903,673)	4,374,729
Financial Losses	51,901,944	(33,494,668)	18,407,276	19,518,705	(9,954,318)	9,564,387
Transportation	15,521,032	(5,614,240)	9,906,792	7,293,155	(2,419,131)	4,874,024
Accident	33,798,582	(18,942,550)	14,856,032	12,626,221	(7,267,497)	5,358,724
Water Crafts	2,606,605	(1,682,360)	924,245	1,319,874	(855,728)	464,146
Air Crafts Liability	5,073,873	(5,073,625)	248	3,441,616	(3,441,503)	113
Air Crafts	5,281,805	(3,856,329)	1,425,476	3,155,498	(2,261,604)	893,894
Fidelity Guarantee	2,286,772	-	2,286,772	1,158,546	-	1,158,546
Legal Protection	3,315,668	(3,315,379)	289	978,440	(978,282)	158
Credit	1,400,990	(1,330,942)	70,048	1,079,324	(1,025,359)	53,965
Support	-	-	-	-	-	-
<b>Total Non-life Branches</b>	<b>1,676,081,903</b>	<b>(754,698,330)</b>	<b>921,383,573</b>	<b>743,939,228</b>	<b>(306,843,096)</b>	<b>437,096,132</b>
<b>Life - Gross Written premium</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,676,082,403</b>	<b>(754,698,330)</b>	<b>921,384,073</b>	<b>743,939,228</b>	<b>(306,843,096)</b>	<b>437,096,132</b>

(\*) Reinsurance share of land vehicles liability branch amounting to TL 46,253,245 (1 January - 30 June 2017: TL 8,841,270) includes premiums to be ceded to SSI.

	1 January - 30 June 2017			1 April - 30 June 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Motor Own Damage	257,605,048	(463,722)	257,141,326	135,631,495	(231,862)	135,399,633
Fire and Natural Disaster	292,981,715	(213,000,462)	79,981,253	133,224,327	(93,899,316)	39,325,011
Motor Crafts Liability	125,501,905	(8,966,110)	116,535,795	59,097,850	(4,690,021)	54,407,829
Health	149,057,791	(109,159,434)	39,898,357	53,082,194	(32,831,767)	20,250,427
General Losses	137,656,790	(96,140,821)	41,515,969	46,648,650	(26,723,710)	19,924,940
General Liability	47,477,873	(36,772,097)	10,705,776	19,874,102	(15,154,736)	4,719,366
Financial Losses	52,673,471	(32,466,408)	20,207,063	31,832,791	(20,255,190)	11,577,601
Accident	13,051,881	(4,476,717)	8,575,164	6,058,798	(1,700,799)	4,357,999
Transportation	23,977,609	(13,555,514)	10,422,095	6,434,037	(2,819,990)	3,614,047
Air Crafts Liability	2,536,125	(2,513,879)	22,246	1,751,742	(1,750,666)	1,076
Fidelity Guarantee	6,004,576	(5,137,364)	867,212	4,809,315	(4,356,724)	452,591
Legal Protection	2,029,638	-	2,029,638	1,044,584	-	1,044,584
Air Crafts	2,442,105	(2,424,130)	17,975	667,705	(667,290)	415
Water Crafts	3,062,507	(2,126,639)	935,868	1,286,357	(730,141)	556,216
Credit	928,957	(882,509)	46,448	727,154	(690,796)	36,358
Support	893,684	(822,461)	71,223	332,721	(306,196)	26,525
<b>Total Non-life Branches</b>	<b>1,117,881,675</b>	<b>(528,908,267)</b>	<b>588,973,408</b>	<b>502,503,822</b>	<b>(206,809,204)</b>	<b>295,694,618</b>
<b>Life - Gross Written Premium</b>	<b>2,500</b>	<b>-</b>	<b>2,500</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Total</b>	<b>1,117,884,175</b>	<b>(528,908,267)</b>	<b>588,975,908</b>	<b>502,504,822</b>	<b>(206,809,204)</b>	<b>295,695,618</b>

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**25. Fee Income**

None (January 1 - 31 December 2017: None).

**26. Investment Income/(Expense)**

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
<b>Realized Investment Income / Expenses</b>				
Time Deposit	53,347,176	21,558,785	20,966,825	11,427,420
Private Sector Bonds	16,067,101	9,059,585	9,899,978	5,477,725
Investment Fund	30,528,439	19,265,355	10,126,008	6,454,859
Eurobonds	2,015,222	2,015,222	2,468,544	2,064,311
Government Bond	100,332	118,899	2,588,884	559,430
Treasury bond	-	-	(2,229,947)	(684,854)
Equity Share	(428,992)	(615,728)	-	-
Repo	-	-	(3,976,935)	(3,976,935)
<b>Total</b>	<b>101,629,278</b>	<b>51,402,118</b>	<b>39,843,357</b>	<b>21,321,956</b>
<b>Unrealized Investment Income /</b>				
Investment Fund	(17,026,688)	(12,983,005)	6,941,561	2,708,396
Private Sector Bonds	3,778,714	1,758,579	1,868,755	1,041,969
Time Deposit	(2,464,791)	(3,836,343)	1,164,648	661,890
Government Bond	15,534	(60,835)	21,241	998,468
Treasury bond	(68,136)	(33,390)	(69,258)	(34,826)
Repo	-	-	(110,746)	242,379
Eurobonds	(159,512)	(1,007,577)	(185,674)	(960,137)
Equity Share	(688,856)	(334,649)	-	-
<b>Total</b>	<b>(16,613,735)</b>	<b>(16,497,220)</b>	<b>9,630,527</b>	<b>4,658,139</b>
<b>Investment Income/Expense, Net</b>	<b>85,015,543</b>	<b>34,904,898</b>	<b>49,473,884</b>	<b>25,980,095</b>

**27. Net Accrual Income on Financial Assets**

<b>Financial Assets Available for Sale</b>	<b>1 January- 30 June 2018</b>	<b>1 January- 30 June 2017</b>
Valuation differences recognized		
under shareholders' equity	(6,351,994)	(424,045)
<b>Total</b>	<b>(6,351,994)</b>	<b>(424,045)</b>

**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 116,515 as of 30 June 2018 (1 January - 31 December 2017: TL 30,131,143).

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**29. Insurance Rights and Demands**

<b>Outstanding Claims Reserve Expenses</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>	<b>1 January- 30 June 2017</b>	<b>1 April- 30 June 2017</b>
Motor Crafts Liability	(89,747,792)	(48,429,310)	(20,926,110)	(9,721,808)
Fire and Natural Disaster	(10,477,968)	(9,231,162)	(13,204,716)	(3,849,248)
General Liability	(7,870,305)	(5,303,194)	(6,949,216)	(4,225,580)
Water Crafts	(610,955)	(555,872)	(795,182)	(539,194)
Health	(452,555)	(468,911)	1,327,105	62,766
Accident	(395,348)	(286,618)	668,742	372,549
Fidelity Guarantee	(191,325)	(296,622)	(516,159)	(451,026)
Legal Protection	(124,832)	2,200	(60,670)	(45,842)
Air Crafts Liability	(7,034)	(7,036)	16	8
Air Crafts	(953)	(747)	-	28
Credit	4,581	1,084	37,235	51,513
General Losses	11,728	(648,260)	(6,921,627)	(5,424,981)
Financial Losses	195,980	46,192	(195,365)	442,973
Transportation	399,330	556,269	(850,901)	(1,226,817)
Motor Own Damage	6,049,677	(9,957,228)	(8,073,407)	(7,258,543)
<b>Total Non-life</b>	<b>(103,217,771)</b>	<b>(74,579,215)</b>	<b>(56,460,255)</b>	<b>(31,813,202)</b>
<b>Life</b>	<b>69,733</b>	<b>70,735</b>	<b>220,975</b>	<b>224,938</b>
<b>Total (*)</b>	<b>(103,148,038)</b>	<b>(74,508,480)</b>	<b>(56,239,280)</b>	<b>(31,588,264)</b>

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

**30. Investment Agreement Types**

None (31 December 2017: None).

**31. Mandatory Other Expenses**

Types of expenses are disclosed in Note 32.

**32. Expense Types**

	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>	<b>1 January- 30 June 2017</b>	<b>1 April- 30 June 2017</b>
Production Commissions (-)	(227,705,294)	(118,434,084)	(171,112,468)	(89,806,968)
Employee Wages and Expenses (-) (*) (Note 33)	(43,848,531)	(21,923,966)	(39,105,919)	(20,548,055)
Information Technology Expenses (-)	(7,460,529)	(3,853,726)	(5,859,475)	(3,213,093)
Rent Expenses (-)	(4,866,155)	(2,454,176)	(4,619,300)	(2,382,520)
Advertisement Expenses (-)	(3,760,258)	(1,969,267)	(1,914,199)	(812,060)
Meeting and Training Expenses (-)	(2,797,400)	(1,228,975)	(2,953,304)	(1,318,752)
Transportation Expenses (-)	(2,766,664)	(1,409,105)	(2,264,060)	(1,107,488)
Other (-)	(2,681,874)	(1,522,635)	(1,807,918)	(442,186)
Social Relief Expenses (-)	(2,004,332)	(966,788)	(1,743,977)	(812,431)
Repair and Maintenance Expenses (-)	(1,574,506)	(813,985)	(1,438,401)	(724,395)
Outsourcing Service Expenses (-)	(1,334,584)	(639,334)	(707,336)	(232,504)
Communication Expenses (-)	(897,262)	(458,221)	(705,167)	(330,182)
Reinsurance Commissions (+)	85,416,327	46,900,049	64,067,440	34,913,512
<b>Total</b>	<b>(216,281,062)</b>	<b>(108,774,213)</b>	<b>(170,164,084)</b>	<b>(86,817,122)</b>

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

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#### 33. Employee Wages and Expenses

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Salary and Bonus Payments	(36,647,161)	(18,229,229)	(31,660,960)	(15,997,439)
Insurance Payments	(5,706,695)	(2,967,254)	(5,084,790)	(2,563,681)
Other Payments	(3,499,007)	(1,694,271)	(4,104,146)	(2,799,366)
<b>Total (Note 32)</b>	<b>(45,852,863)</b>	<b>(22,890,754)</b>	<b>(40,849,896)</b>	<b>(21,360,486)</b>

#### 34. Financing Costs

##### 34.1 Financial Expenses:

None (31 December 2017: None).

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

None (31 December 2017: None).

##### 34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

##### 34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

##### 34.5 Hedge accounting principle

###### Cash Flow hedging principle

Amount	Currency Type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
13,289,767	USD	2.2342	4.5607	(30,918,643)

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 30 June 2018 effect of hedge accounting amount of TL 24,734,914 has been recognized in the "Special Funds (Reserves)" account item under equity (Note 15).

###### Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging USD 13,289,767 Eurobond.

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

None (31 December 2017: None).

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**35. Corporate Tax**

	<u>30 June 2018</u>	<u>31 December 2017</u>		
<b><u>Current Tax Liability:</u></b>				
Corporate Tax Liability Provision on Period Profit	28,795,739	40,115,659		
Prepaid Taxes and Other Liabilities on Period Profit (-)	(14,650,942)	(31,394,677)		
<b>Total</b>	<b>14,144,797</b>	<b>8,720,982</b>		
<b><u>Tax (Expense) / Income is Formed by the Items Below:</u></b>	<b><u>1 January- 30 June 2018</u></b>	<b><u>1 April- 30 June 2018</u></b>	<b><u>1 January- 30 June 2017</u></b>	<b><u>1 April- 30 June 2017</u></b>
Current Tax Income / (Expense)	(28,795,739)	(12,824,797)	(1,348,385)	(1,348,385)
Deferred Tax Income / (Expense) due to Temporary Differences	314,144	(61,925)	(15,834,183)	(8,538,233)
<b>Total Tax Income / (Expense)</b>	<b>(28,481,595)</b>	<b>(12,886,722)</b>	<b>(17,182,568)</b>	<b>(9,886,618)</b>

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%.

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

<b><u>Deferred Tax</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>Recognized in the Shareholders' Equity:</u></b>		
Valuation of Financial Assets Available for Sale	1,587,999	3,618
Hedge Effect	(6,183,729)	(4,404,696)
Actuarial Gain/Loss Effect	757,785	810,707
<b>Total</b>	<b>(3,837,945)</b>	<b>(3,590,371)</b>

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**35. Corporate Tax (Continued)**

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

Deferred Tax Assets / (Liabilities)	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Provision for impairment (Note 9)	30,116,652	30,116,653	6,625,663	6,625,664
Expense reserves (Note 23.4)	10,562,608	3,572,557	2,323,774	785,963
Marketable securities valuation difference	7,939,993	18,090	1,587,999	3,618
Equilization provision	6,980,103	6,623,717	1,535,623	1,457,218
Donation	6,500,000	-	1,430,000	-
Provision for employment termination benefits (Note 22)	6,094,940	6,172,934	1,218,988	1,234,587
Performance premium provision (Note 23.4)	4,563,412	7,412,366	1,003,951	1,630,721
Provision for doubtful receivables	2,657,047	3,514,000	584,550	773,080
Investment fund valuation impact	2,155,938	(4,573,879)	474,306	(1,006,253)
Unused vacation allowance (Note 23.4)	1,639,907	1,317,302	360,780	289,806
Provision for unexpired risks	210,166	476,121	46,237	104,747
Bonus and rebates provision	96,453	3,609	21,220	794
Equity securities valuation impact	(463,320)	-	(101,931)	-
Tangible and intangible assets economic life differences	(11,621,889)	(9,849,203)	(2,556,816)	(2,166,825)
Derivative valuation	(21,751,817)	-	(4,785,400)	-
Other	-	(139,753)	-	(30,746)
<b>Deferred Tax Assets / (Liabilities)</b>	<b>45,680,192</b>	<b>44,664,514</b>	<b>9,768,944</b>	<b>9,702,374</b>

Movement table of deferred tax asset/(liability) summarized as follows:

Movements of Deferred Tax Assets / (Liabilities):	2018	2017
Beginning of the Period, 1 January	9,702,374	2,869,378
Deferred Tax Income Recognized in the Income Statement	314,144	8,888,211
Deferred Tax Income Recognized in the Shareholders' Equity	(247,574)	(2,055,215)
<b>Closing Balance, 30 June</b>	<b>9,768,944</b>	<b>9,702,374</b>

Corporation tax reconciliation is as below:

Reconciliation of Tax Provision	2018	2017
Income Before Tax	124,530,717	158,214,131
Tax Calculated: 22%	(27,396,758)	(31,642,826)
Effect of Additions	(20,161,485)	(41,172,606)
Effect of Allowances, net	18,762,504	19,475,023
Fiscal Expense	(28,795,739)	(53,340,409)
Deducted past year losses	-	13,224,750
<b>Corporate Tax Liability Provision on Current Period Profit</b>	<b>(28,795,739)</b>	<b>(40,115,659)</b>

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

	2018	2017
Loss before tax	124,530,717	158,214,131
Calculated tax revenue: % 22	(27,396,758)	(31,642,826)
Tax rate change impact	1,077,208	769,473
Disallowable expenses	(2,162,045)	(354,095)
<b>Current period tax expense</b>	<b>(28,481,595)</b>	<b>(31,227,448)</b>



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#### 36. Net Foreign Exchange Gain/Loss

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Recognized in Profit / Loss:				
Foreign Exchange Income	76,968,662	51,344,806	51,365,995	11,961,258
Foreign Exchange Expense	(85,406,982)	(64,323,622)	(46,156,745)	(10,783,876)
	<b>(8,438,320)</b>	<b>(12,978,816)</b>	<b>5,209,250</b>	<b>1,177,382</b>

#### 37. Earnings per Share

	2018	2017
Number of Equity Shares Outstanding Beginning Period, 1 January	30,600,000,000	30,600,000,000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, 30 June	30,600,000,000	30,600,000,000
Weighted Average Number of Outstanding Shares (Unit of 1; TL 0,01)	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	96,049,122	44,792,159
Earnings / (Loss) per Share (TL)	0.314	0.146

#### 38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on 14 March 2018, the Company distributed profit to its shareholders amounting to TL 110,600,000 as per the financial statements as of the year 2017.

#### 39. Cash Generated from the Operations

Cash Generated from Operations is presented in the Cash Flow Statement.

#### 40. Equity Share Convertible Bonds

None (31 December 2017: None).

#### 41. Cash Convertible Privileged Equity Shares

None (31 December 2017: 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 (31 December 2017: None).

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**45. Related Parties**

**Related Party Receivables / (Payables)**

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

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

<u>Premium production</u>	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Shareholders	71,455,019	27,627,163	79,234,722	39,933,861
Related Parties	980,611	137,098	1,579,476	796,063
<b>Total</b>	<b>72,435,630</b>	<b>27,764,261</b>	<b>80,814,198</b>	<b>40,729,924</b>

<u>Claims Paid</u>	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Shareholders	36,598,950	20,055,379	7,860,846	7,115,521
Related Parties	-	-	154	-
<b>Total</b>	<b>36,598,950</b>	<b>20,055,379</b>	<b>7,861,000</b>	<b>7,115,521</b>

<u>Interest Income Received from Related Party</u>	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Related Parties	19,927,130	6,791,835	34,082,724	18,251,060
<b>Total</b>	<b>19,927,130</b>	<b>6,791,835</b>	<b>34,082,724</b>	<b>18,251,060</b>

<u>Commission Expense</u>	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Related Parties	95,971,035	46,097,439	53,090,342	26,801,116
<b>Total</b>	<b>95,971,035</b>	<b>46,097,439</b>	<b>53,090,342</b>	<b>26,801,116</b>

<u>Bank Deposit</u>	30 June 2018	31 December 2017
Related Parties	138,468,501	455,146,116
<b>Total</b>	<b>138,468,501</b>	<b>455,146,116</b>

<u>Private Sector Bonds</u>	30 June 2018	31 December 2017
Related Parties	48,915,261	45,670,100
<b>Total</b>	<b>48,915,261</b>	<b>45,670,100</b>

<u>Investment Funds</u>	30 June 2018	31 December 2017
Related Parties	195,977,627	232,967,097
<b>Total</b>	<b>195,977,627</b>	<b>232,967,097</b>

**46. Subsequent Events**

None.

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**47. Other**

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

<b>Other Receivables</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Receivables from Tarm Sigortaları A.Ş.	17,847,374	11,024,553
Receivables from Agencies due to DASK Premiums	421,291	1,610,009
Other Receivables	4,626,665	3,674,862
<b>Total</b>	<b>22,895,330</b>	<b>16,309,424</b>

<b>Other Short Term Payables</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Payables to Turkish Catastrophe Insurance Pool	23,986,669	24,947,212
Payables to contracted enterprises	14,073,283	8,522,694
Payables to suppliers	3,852,749	15,121,193
Turkish Catastrophe Insurance Pool Payables to Agencies	893,901	714,749
Other	4,695,991	3,305,549
<b>Total</b>	<b>47,502,593</b>	<b>52,611,397</b>

<b>Other Prepaid Expenses (Short Term)</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Prepaid Expenses (*)	19,580,046	10,239,430
<b>Total</b>	<b>19,580,046</b>	<b>10,239,430</b>

<b>Other Prepaid Expenses (Long Term)</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Prepaid Expenses (*)	149,980	2,963,592
<b>Total</b>	<b>149,980</b>	<b>2,963,592</b>

\* The amount of TL 6,144,718 (31 December 2017: TL 6,703,348) prepaid expenses for future years have arisen from operational leases of the Company.

Assistance services under other technical expenses in the income statement, amounting to TL 26,406,764 (1 April - 30 June 2018: TL 13,721,418) (1 January - 30 June 2017: TL 21,492,205 and 1 April - 30 June 2017: TL 9,614,885), consist of deferral of these amounts and technical expenses of these services.

<b>Income and Profit / Expenses and Losses from Other and Extraordinary Activities</b>	<b>1 January- 30 June 2018</b>	<b>1 April- 30 June 2018</b>	<b>1 January- 30 June 2017</b>	<b>1 April- 30 June 2017</b>
Provisions Account (+/-)	(19,839,649)	(10,169,868)	(13,054,478)	(6,343,532)
Provisions for doubtful receivable (Note 12.1)	(5,837,224)	(3,488,311)	(9,898,831)	(5,003,863)
Donation(*)	(6,500,000)	(3,000,000)	-	-
Guarantee Fund Provision	(4,827,153)	(2,169,987)	(1,028,871)	(470,948)
Portfolio Management	(1,574,473)	(1,185,597)	(896,643)	(236,240)
Retirement pay provision	(579,055)	(289,978)	(467,172)	(186,156)
Unused vacation provision	(408,292)	(141,806)	(505,983)	(426,500)
Provisions for other expenses	(113,452)	105,811	(256,978)	(19,825)
Compulsory earthquake insurance account (+/-)	1,039,827	164,555	629,785	629,785
Deferred tax asset account (+/-)	314,144	(61,925)	(15,834,183)	(8,538,233)
Other income and profits	635,323	68,282	266,340	107,007
Rediscount account (+/-)	-	-	-	(500,504)
Other expenses and losses (-)	(4,134,899)	(2,129,339)	(3,814,938)	(1,832,013)
Bank Expenses	(3,082,744)	(1,520,700)	(1,564,342)	(864,058)
Certificate of Insolvency	-	-	(1,207,559)	(327,307)
Non-tax-deductible expenses	(219,027)	(119,824)	(435,619)	(360,632)
Expense on property sale	(484,179)	(246,777)	(400,989)	(196,664)
Other	(348,949)	(242,038)	(206,429)	(83,352)
<b>Total</b>	<b>(21,985,254)</b>	<b>(12,128,295)</b>	<b>(31,807,474)</b>	<b>(16,477,490)</b>

(\*) Donations to be paid to Hacı Ömer Sabancı Foundation.

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT  
DISTRIBUTION AS OF 30 JUNE 2018**

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

<b>Profit Distribution Statement</b>			
	Note	Reviewed Current Period (1/01/2018 - 30/06/2018)	Reviewed Previous Period (1/01/2017 - 31/12/2017)
<b>I. Distribution of profit for the period</b>		-	-
1.1. Profit for the period		-	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
<b>A. Net profit for the period (1.1 - 1.2)</b>		-	-
1.3. Previous years' losses (-)		-	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
<b>B. Net distributable Profit for the period [ (A - (1.3 + 1.4 + 1.5) ]</b>		-	-
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		-	-
<b>II. Distribution from reserves</b>		-	-
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 (-)		-	-
<b>III. Profit per share</b>		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
<b>IV. Dividends per share</b>		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

The Company's authorized body for the distribution of the profit for the period is the General Assembly. The profit distribution table has not been prepared since there is no profit distribution for the interim periods 1 January - 30 June 2018 and 2017.

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