
2017

Annual Report

MAPFRE Sigorta

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 **MAPFRE** Sigorta

**ANNUAL REPORT FOR THE PERIOD 01.01.2017 – 31.12.2017, PREPARED IN ACCORDANCE WITH
THE REGULATION ON THE FINANCIAL STRUCTURES OF INSURANCE & REINSURANCE AND
PENSION COMPANIES AND ARTICLE 516 OF TURKISH COMMERCIAL CODE**

Regarding the operations of our company in the year 2017, we hereby submit the ANNUAL REPORT we prepared in accordance with the procedures and principles set out in the Regulation on the Financial Structure of the Insurance, Reassurance and Retirement Companies and Turkish Commercial Code Article 516 for your observation and approval with all attachments. (March 9, 2018)

Yours sincerely,

MAPFRE SİGORTA A.Ş.



Alfredo Muñoz PEREZ
Deputy Chairman of the
Board of Directors
General Manager



Hüsametttin KAVI
Chairman of the Board

 **MAPFRE** Sigorta

INDEPENDENT AUDITOR'S REPORT ON BOARD OF DIRECTOR'S ANNUAL ACTIVITY REPORT

To MAPFRE Sigorta Anonim Şirketi Board of Directors,

Report on the Audit of the Board of Director's Annual Activity Report with respect to Independent Audit Standards

We have audited the annual activity report of MAPFRE Sigorta Anonim Şirketi (the "Company") regarding the activity period ending on December 31, 2017.

Responsibility of the Board of Directors Regarding the Annual Activity Report

The company management is responsible for the preparation of the Annual Activity Report in compliance with the financial statements and its reflection of the facts in accordance with the provisions of Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the "Regulation on the Financial Structure of the Insurance, Reassurance and Retirement Companies" ("Regulation") published in the Official Gazette No. 26606 dated August 7, 2007 and the internal control deemed necessary in order to ensure the preparation of an activity report of such nature.

Responsibility of the Independent Auditor

Our responsibility is to provide our opinions regarding whether the financial information in this activity report is consistent with the financial statements, which are subject to the independent auditor's report of the company dated March 9, 2018, based on the audit that we conducted in the activity report of the company in accordance with Article 397 of the TCC and Regulation.

The independent audit we conducted was carried out in accordance with the regulations on the independent auditing principles in force in accordance with the insurance legislation and the Independent Auditing Standards, which are part of the Turkish Auditing Standards published by the Public Supervision, Accounting and Auditing Standards Institution. These standards require that the clauses on ethics are complied with and that the independent audit be planned and executed so as to obtain reasonable assurance as to whether the financial information in the activity report is consistent with the financial statements and reflects the facts.

An independent audit includes the application of audit procedures for the purpose of obtaining the audit evidence of the historical financial information in the financial statements. The selection of these procedures is based on the professional judgment of the independent auditor.

We believe that the independent audit evidence we have collected during the independent audit provides sufficient and appropriate grounds for providing our opinion.

Opinion

We are of the opinion that the financial information contained in the activity report of the Board of Directors is consistent with the audited financial statements in all material respects and reflects the facts.

Other Liabilities as per the Legislation

In accordance with TCC Article 402, Paragraph 3, and in line with the BDS 570 "Sustainability of the Establishment", no important matters that require reporting have been encountered that would suggest that MAPFRE Sigorta Anonim Şirketi will not be able to continue its operations in the foreseeable future.

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

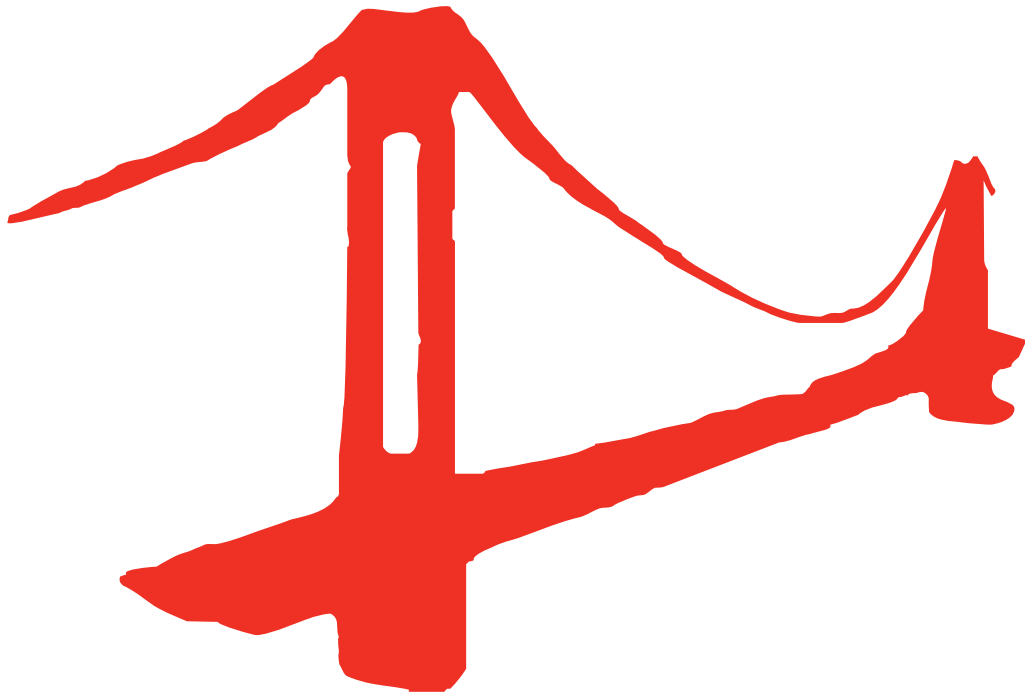
A member of KPMG International Cooperative

Ali Tuğrul Uzun

Responsible Auditor

March 9, 2018

Istanbul, Turkey



GENERAL INFORMATION

MAPFRE Sigorta

Assessment of the Chairman and General Manager on the Operating Period and Their Expectations for the Future

Dear Shareholders,

Our Company's profit before tax for the year 2017 increased by 96.3% compared to the previous year, to TRY 248,999,408 and the profit after tax amounted to TRY 186,497,248.

Our total premium production reached TRY 2,682,017,675.- TL with a fall of 4% compared to last year while our market share fell from 6.9% to 5.8%. With this result, as with the previous year, we closed the year 2017 at the 4th place in terms of premium production. In 2017, the company achieved the distinction of being the second most successful firm for the engineering branch, securing a market share of 11% and a production figure of TRY 211.9 million.

For non-life branches, the insurance sector closed 2017 with a premium increase of 12.02%, almost equal to the inflation rate, which was 11.92%. The most important factor bringing about this result was the almost negligible growth of 0.03% in 2017 in motor third party liability insurances, which accounted for the largest portion (31.41%) of the sector's total premium production.

It is well known that the hazardous and unsustainable state of affairs in traffic insurances in the period including and up to 2016 started to pose a threat for financial stability of the firms. As a reaction, the industry began to increase the traffic insurance premium figures as of the second half of 2016, all the while presenting the justification for such legitimate increase in premium figures to the public authorities, and trying to communicate them to the wider public as well. The matter of making the necessary legal arrangements for the rightful determination of motor third party liability premiums was brought to the agenda on every platform within the industry and as a result of these efforts; the law on the amendments expected in the Traffic Law was enacted and published in the Official Gazette on April 26, 2016. The industry managed to reach a more stable state through the process with the "High-Risk Insured Pool" practice which entered into force through publication on the Official Gazette dated July 11, 2017. Given the fact that this was the first year of this practice, the challenges of implementation of the changes in the system led to a less-than-expected premium production in the traffic branch.

The latest balance sheet results announced by the industry for the year 2017 are from the end of September. Accordingly, the net balance sheet profit of non-life companies was TRY 1.2 million in the 9-month period. In the comparable period of the previous year, the industry registered a profit figure of TRY 592 million. The leading cause of this positive development in the balance sheet profit figures of the industry was the positive change in the premium figures charged for traffic insurances, leading to the natural consequence of reduced technical losses.

In 2017, our financial strength grade was confirmed as AA (Tur) by the international rating agency Fitch Ratings. This grade is the result of an independent evaluation based on our company's financial and technical capability, management structure, risk acceptance policies and reinsurance practices and the internationally recognized assessment criteria.

As of June 2017, our firm moved to its new headquarters at Torun Center. Equipped with smart building technologies, the new headquarters serves as a distinct source of prestige in the eyes of our business partners, colleagues, and investors. Clearly, we will achieve ever greater successes at our new offices.

The year 2018 will be a year in which we will strive to achieve the strategic objectives of our company and continue our investments accordingly. We do not doubt that we will achieve these goals with the contributions of all our stakeholders, especially our employees.

It is with this in mind that we kindly submit the results of our operations in 2017, for your consideration.

Yours sincerely,




Alfredo Muñoz PEREZ
Deputy Chairman of the
Board of Directors
General Manager



Hüsamettin KAVI
Chairman of the Board



 **MAPFRE** Sigorta

A Summary of the Financial Information Relating to the Operating Results

Dear Shareholders,

Our Company's results on the commercial operations for 2017 are presented below for your consideration.

The total premium production figure of our firm is TRY 2,682,017,675.

Broken down by branches, a fall of 15.03% was observed in the auto accident branch which accounts for 56.02% of the total premium production, while the medical branch accounting for 17.82% of the total premium production registered a premium increase of 10.65%.

Our company closed 2017 with a technical profit figure of TRY 185,736,330 (1). The highest profit was obtained in the motor branch.

The administrative expenses incurred for our operations amounted to TRY 172,046,687 (2). General expenses, income and profits and expenses and losses from other operations and extraordinary operations amounted to TRY 298,749,835, above the previous year's level.

The investment income was TRY 273,515,872, while investment expenses were TRY 230,908,422. The income transferred to the non-life technical section was TRY 190,212,536. Finally, the losses incurred due to extraordinary operations were TRY 25,233,963. The net financial results of our organization were TRY 63,263,077 (3), above the level registered in the previous year.

Our company's profit before tax for 2017 rose to TRY 248,999,408, and the profit after tax was TRY 186,497,248.

Respectfully submitted for your information.



Alfredo Muñoz PEREZ
Deputy Chairman of the
Board of Directors
General Manager



Hüsamettin KAVI
Chairman of the Board

(1) The investment income transferred to the non-life technical section amounting to TRY 190,212,535.85 was deducted from the technical division balance indicated as TRY 231,625,920 in the financial statements dated December 31, 2017, and the sum amounting to TRY 172,046,686.88 calculated by deducting the net commission expense from operating expenses was added. Moreover, bad debts concerning accrued recourses, to the tune of TRY 27,723,740.49 were transferred to technical profits.

(2) Net commission expenses were deducted from the activity expenses set out in the financial statements dated December 31, 2017.

(3) The profit remaining after the technical profit amounting to TRY 185,736,330 is deducted off the profit for the period set out in the financial statements dated December 31, 2017 as TRY 248,999,408, was defined as financial profit, at a figure of TRY 63,263,077.

The Title and Subject of Activity of the Company

The title of the company is MAPFRE Sigorta A.Ş. It was established on August 16, 1948, in Istanbul, Turkey, and its main operating field is to design and market insurance services and provide sales and after-sales services for the loans, disease/health, watercraft liability, aircraft liability, general damages, land vehicles, rail vehicles, air vehicles, accident, general liability, land vehicles liability, water vehicles, transportation, fire and natural disasters, breach of trust, financial losses and legal protection branches.

Historical development of the company and if any, together with their reasons the changes made to the articles of association within the accounting period

T. Genel Sigorta A.Ş. was founded in Sirkeci, Istanbul on August 16, 1948 with the participation of Türkiye Kredi Bankası A.Ş. and businessmen of the time using a capital of 1,000,000 TL. It continues to serve the Turkish insurance industry in its 66th year with a paid capital of 350 million TL.

The innovations brought to the sector by our Company can be summarized as:

- Bringing insurances called Contractor All Risks to Turkey in 1950,
- The company opened the first branch in Anatolia by opening a liaison office in Adana in 1961,
- Organizing the first seminar for the agencies in 1977,
- In 1985, the works towards transforming the insurance and accounting practices of the agencies into information processing in the most efficient and economical way under the name 'Elite Project',
- Opening the first management trainee program in the insurance market in 1988,
- Commencing the private repair-shop network organization to serve

the company customers' claims in 1999.

The Company continued to operate under difficult conditions with the liquidation of Türkiye Kredi Bankası and joined Çukurova Holding A.Ş, which has an important status in the country economy, with a capital change in 1975.

Our company, which experienced a difficult time in 2002 such as the transfer of Pamukbank, which is one of the major partners and the largest production source of the company, to Saving Deposit Insurance Fund (TMSF) has managed to carry out its works and services with the successful outcomes which were realized well above the industry despite the economic crisis.

Genel Sigorta was assessed by an international rating company in 2001 with the A+ (Tur) financial strength rating. The company has continued this success into this present with Fitch rating agency raising our national financial strength rating to AA (Tur) in 2007 and confirming our financial strength rating on July 27, 2017 as AA (Tur).

The transfer of the controlling shares of the Company to Spanish MAPFRE Group, which is the biggest insurance group in Spain, was completed as of September 20, 2007 and 280 million shares owned by MAPFRE Internacional SA in the Company and representing 80% of the Company's capital were transferred to MAPFRE Internacional SA responsible for international investments, as of April 23, 2008.

The shares of Demir Toprak İthalat İhracat ve Tic. A.Ş., representing 10% of the Company capital and amounting to TRY 35,000,000 were transferred to MAPFRE Internacional S.A. in accordance with the correspondence of T.R. Prime Ministry Undersecretariat of Treasury no. 51308 dated 03.12.2009 and the transfer process was recorded in the Company's stock ledger. Therefore, the shares of MAPFRE Internacional S.A. increased to 99.75%.

The Avor shares amounting to TRY 34,109,046 and representing 9.75% of the capital of the Company were transferred to MAPFRE Internacional S.A. and the transfer process was recorded in the share registry after the Company's Board Meeting held on 29 September 2010.

In September 2012, the company purchased the majority share of 51% of the General Service that it had worked with in the form of joint venture for a long time and which owns 6 repair stations across the country.

The company title changed to MAPFRE Sigorta A.Ş. as of October 12, 2016.

The Board of Directors resolution dated June 1, 2017, no. 31 was taken with respect to the move of the company headquarters to Torun Center, Fulya Mahallesi, Büyükdere Caddesi No: 74 D Blok Mecidiyeköy 34381 İstanbul as of June 19, 2017, and was published on Turkish Trade Registry Gazette dated June 29, 2017 no. 9356.

The Company's Contact Information

The registered headquarters of the company is located at the address Torun Center, Fulya Mahallesi Büyükdere Caddesi No: 74 D Blok Mecidiyeköy 34381 İstanbul Turkey. The Company has branch directorates in the cities of Adana, Ankara, Antalya, Bursa, İzmir, İstanbul, İzmit, Mersin, Malatya, Konya, Kayseri, Samsun, Gaziantep, Eskişehir, Çorlu and Denizli.

The contact information for the General Directorate and Regional & Branch Directorates are as set out below.

General Directorate

Torun Center, Fulya Mah. Büyükdere Cad.
No: 74/D, 34381 Şişli / İSTANBUL
Phone : 0212 334 90 00
Faks : 0212 334 90 19
E-mail: info@mapfre.com.tr
Website: www.mapfre.com.tr

Large Taxpayers Office: 879 001 8869
Registry No: 38676

İstanbul Branch Directorate

Barış Mahallesi Eğitim Vadisi Bulvarı No: 19
34520 Beylikdüzü / İSTANBUL
Phone : 0212 871 46 12
Fax : 0212 871 46 13
E-mail: istanbul@mapfre.com.tr

Ankara Branch Directorate

Cevizlidere Caddesi No: 1/13
06520 Balgat Çankaya / ANKARA
Phone: 0312 472 75 72
Fax : 0312 472 58 59
E-mail: ankara@mapfre.com.tr

Bursa Branch Directorate

Alaattin Bey Mahallesi İzmir Yolu Caddesi
Uludağ Ticaret Merkezi No: 277/H
16120 Nilüfer / BURSA
Phone: 0224 441 41 41 pbx
Fax : 0224 441 63 55

Kayseri Branch Directorate

Gültepe Mahallesi Mustafa Kemal Paşa Bulvarı
38030 No: 52/A 38030 Melikgazi / KAYSERİ
Phone : 0352 236 36 30
Fax : 0352 233 20 30
E-mail: kayseri@mapfre.com.tr

Adana Branch Directorate

Reşat Bey Mahallesi Vali Yolu Gülek Sitesi C Blok
No: 27 01120 Seyhan / ADANA
Phone : 0322 459 58 58
Fax : 0322 459 58 62
E-mail: adana@mapfre.com.tr

Antalya Branch Directorate

Namık Kemal Bulvarı No: 59
07090 Kepez / ANTALYA
Phone : 0242 312 12 30 pbx
Fax : 0242 313 06 04
E-mail: antalya@mapfre.com.tr

İzmir Branch Directorate

Manas Bulvarı Adalet Mahallesi No: 39
Kule B Kat: 43 Folkart Towers Bayraklı / İZMİR
Phone: 0232 242 40 00
Fax : 0232 242 44 00
E-mail: izmir@mapfre.com.tr

Konya Branch Directorate

Musalla Bağları Mahallesi Ankara Caddesi No: 71/A
42060 Selçuklu / KONYA
Phone : 0332 235 86 86
Fax : 0332 235 80 00
E-mail: konya@mapfre.com.tr

Samsun Branch Directorate

Atatürk Bulvarı Kale Mahallesi Çenesizler İşhanı
No: 140/5 55030 İlkadım / SAMSUN
Phone : 0362 431 01 21
Fax : 0362 431 01 04
E-mail: samsun@mapfre.com.tr

İzmit Branch Directorate

Mehmet Ali Paşa Mahallesi Bağdat Caddesi
No: 222 41050 Yenişehir / KOCAELİ
Phone : 0262 321 50 60
Fax : 0262 321 50 59
E-mail: izmit@mapfre.com.tr

Eskişehir Branch Directorate

Hoşnudiye Mahallesi Kızılıcıklı Mahmut
Pehlivan Caddesi 41050 Yenişehir / KOCAELİ
Phone : 0222 240 13 33
Fax : 0222 240 13 38
E-mail: eskisehir@mapfre.com.tr

Çankaya Branch Directorate

Oğuzlar Mahallesi Çetin Emeç Bulvarı No: 62
06680 Çankaya / ANKARA
Phone : 0312 441 00 84
Fax : 0312 441 00 87
E-mail: cankayabolge@mapfre.com.tr

Malatya Branch Directorate

Niyazi Mahallesi Karakaş Sokak No: 10
44100 Hüseyinbey / MALATYA
Phone : 0422 325 21 35
Fax : 0422 323 17 10
E-mail: malatya@mapfre.com.tr

Çorlu Branch Directorate

Kazmiye Mahallesi Ağrık Veysel Sokak
Çağıl Apartmanı Dükkan B No: 15 ÇORLU
Phone : 0212 871 46 12
Fax : 0212 871 46 13
E-mail: istanbul@mapfre.com.tr

Gaziantep Branch Directorate

İncilipınar Mahallesi 3 No'lu Cadde Akınalan İş Merkezi
27090 Şehitkamil / GAZİANTEP
Phone : 0342 220 51 11
Fax : 0342 324 00 97
E-mail: gaziantep@mapfre.com.tr

Denizli Branch Directorate

Saraylar Mahallesi Saltak Caddesi No: 36
20010 Merkezefendi DENİZLİ
Phone : 0258 265 33 83
Fax : 0258 265 33 82
E-mail: denizli@mapfre.com.tr

Beşiktaş Branch Directorate

Meclisi Mebusan Caddesi No: 23/1
34433 Beyoğlu / İSTANBUL
Phone : 0212 377 52 07
Fax : 0212 243 18 11
E-mail: besiktasbolge@mapfre.com.tr

İstanbul Asian Side Branch Directorate

Bağdat Caddesi Murat Apartmanı No: 30 D: 7
34728 Kadıköy / İSTANBUL
Phone : 0216 368 00 27
Fax : 0216 368 93 09
E-mail: istanbulanadoluyakasi@mapfre.com.tr

Mersin Branch Directorate

Reşatbey Mah. Vali Yolu Gülek Sitesi
C Blok Asma Kat No.27 01120 Seyhan / ADANA
Phone : 0322 459 58 58
Fax : 0322 459 58 62
E-mail: mersin@mapfre.com.tr

Capital and Shareholding Structure of the Company

As of 31.12.2017, the company's paid in capital is TRY 350,000,000; the shareholding structure is set out below.

NAME/TITLE OF SHAREHOLDERS	SHAREHOLDING AMOUNT (TRY)	SHARE RATE %
MAPFRE INTERNATIONAL S.A.	349.109.046	99,75%
OTHER	890.954	0.25%
TOTAL	350.000.000	100%

The Chairman and the members of the Board of Directors do not have any shares within the partnership structure.

Changes in the Company's Capital and Shareholder Structure

No changes occurred in the capital or shareholder structure of the company as of 31.12.2017.

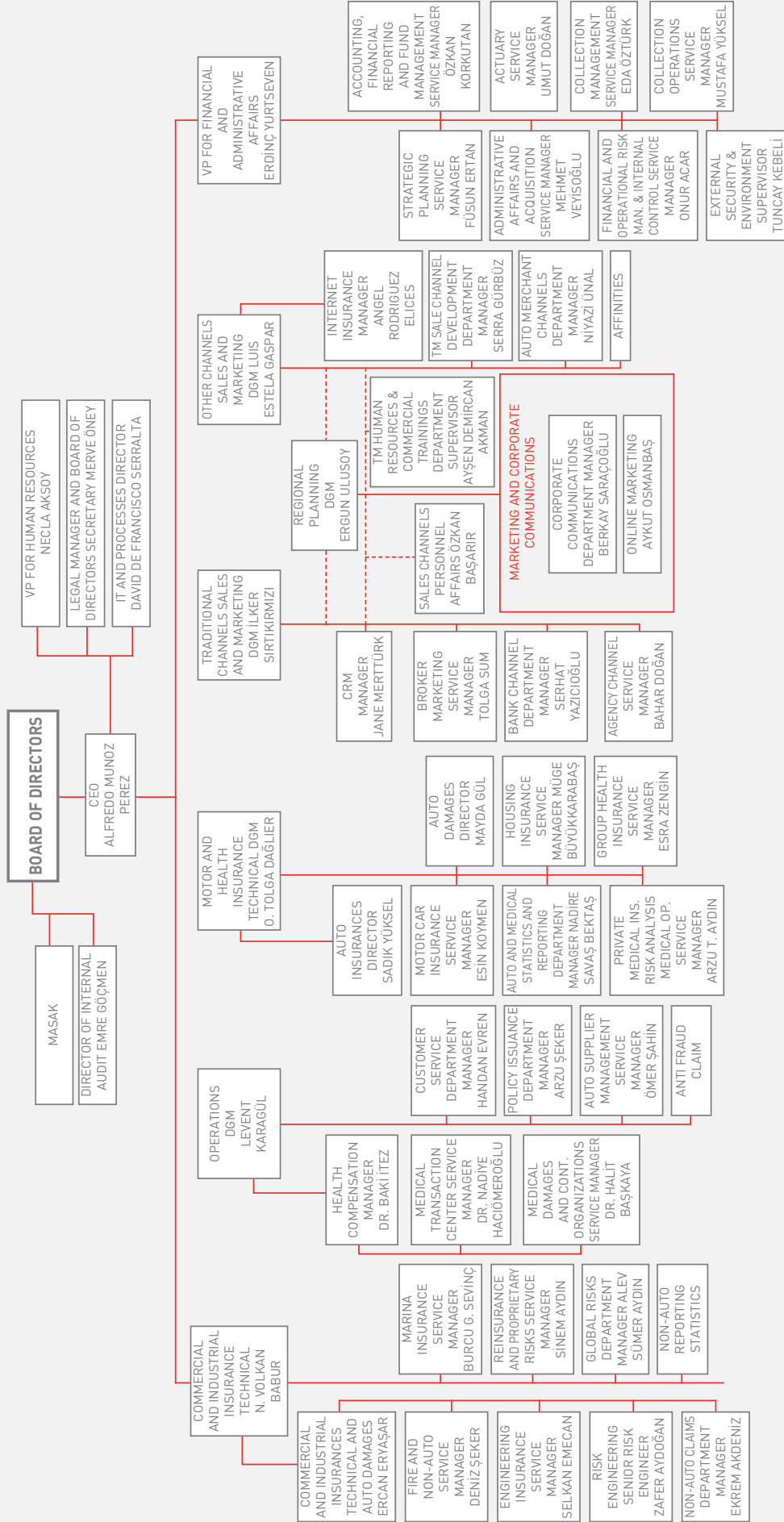
The Company's Privileged Share and the Rights Vested to These Shares

The company does not have privileged shares or any rights granted to these shares as of 31.12.2017.

Organizational Chart

The company organizational chart is as follows.

© **MAPFRE Sigorta**



Board of Directors

The details of the Extraordinary General Assembly Meeting held on September 27, 2016 in accordance with the decision of the company's Board of Directors dated July 1, 2016 no. 2016/24 and the Board of Directors, the members of which were selected as per the decision made in the meeting and constituted as a result of the distribution of duty, are provided below.



DATE OF APPOINTMENT
23.07.2014

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Chairman of the Board

EDUCATIONAL BACKGROUND
ITU Faculty of Civil Engineering- Civil Engineering

TERMS OF OFFICE AND WORK EXPERIENCE

2011 G.T.E. Endüstri A.Ş. Deputy Chairman of the Board of Directors
2001 Bemka Emaye Tel A.Ş Deputy Chairman of the Board
1978-2002 Kavi Kablo A.Ş Deputy Chairman of the Board

Hüsamettin Kavi / Chairman of the Board



DATE OF APPOINTMENT
01.07.2016

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy Chairman of the Board of Directors
General Manager

EDUCATIONAL BACKGROUND
UUniversidad Pontificia Comillas - Law /
Business Administration
CEF Financial Sciences Center MBA

TERMS OF OFFICE AND WORK EXPERIENCE

2016 - MAPFRE Sigorta A.Ş General Manager
2011 - MAPFRE Middlesea p.l.c Chairman and CEO
2005 - 2011 MAPFRE Asistencia Deputy General Manager

Alfredo Munoz Perez / Deputy Chairman of the Board of Directors



DATE OF APPOINTMENT
29.08.2014

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Member of the Board of Directors

EDUCATIONAL BACKGROUND
University of Liège (Belgium)

TERMS OF OFFICE AND WORK EXPERIENCE

2014 MAPFRE S.A Regional CEO Europe, Mediterranean and Africa
2008-2013 MAPFRE Asistencia General Manager Responsible for
Global Operations
2006 - 2007 MAPFRE Asistencia General Manager
1994 MAPFRE Asistencia Senior Manager

Nikolas Antimisaris / Member of the Board of Directors



DATE OF APPOINTMENT
15.12.2011

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Member of the Board of Directors

EDUCATIONAL BACKGROUND
METU Economics and Administrative Sciences

TERMS OF OFFICE AND WORK EXPERIENCE

2015 - Autoking CEO
2011 - MAPFRE Assistance Deputy Regional Director
2000 Tur Assist LTD. Ş. / General Manager
1999-2000 İnter Hayat A.Ş. / Deputy General Manager
1997-1999 Nordstern İmtaş Hayat A.Ş. / Deputy General Manager
1990-1997 Şark Hayat Sigorta / Sales Manager

Ali Güven Aykaç / Member of the Board of Directors



DATE OF APPOINTMENT
16.09.2015

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Member of the Board of Directors

EDUCATIONAL BACKGROUND
Bilkent University, Faculty of Administrative
Sciences, Master of Business Administration

TERMS OF OFFICE AND WORK EXPERIENCE

2013 - Çukurova Holding A.Ş. Business Development Coordinator
2011 - 2013 AKS Tv A.Ş Board of Directors Executive Director
1998 - 2011 ET Medya A.Ş Board of Directors Executive Director
1997 - 1998 Denizbank Branch Manager
1992 - 1997 İnterbank Marketing Manager

Süleyman Serdar Çaloğlu / Member of the Board of Directors

Senior Management

Our company's senior management is composed of a General Manager and 9 Deputy General Managers; the distribution of their duties is set out below.



DATE OF APPOINTMENT
01.07.2016

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
General Manager

EDUCATIONAL BACKGROUND
UUniversidad Pontificia Comillas - Law /
Business Administration
CEF Financial Sciences Center MBA

TERMS OF OFFICE AND WORK EXPERIENCE

2016 - MAPFRE Sigorta A.Ş. General Manager
2014 - MAPFRE Sigorta A.Ş. Deputy General Manager of Operations
2011 - MAPFRE Middlesea p.l.c Chairman and CEO
2005 - 2011 MAPFRE Asistencia Deputy General Manager

Alfredo Munoz Perez / General Manager



DATE OF APPOINTMENT
02.01.2009

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager for Financial and
Administrative Affairs

EDUCATIONAL BACKGROUND
Marmara University Faculty of Economics and
Administrative Sciences
University of Illinois at Urbana-Champaign,
USA Finance / Master's

TERMS OF OFFICE AND WORK EXPERIENCE

05.2006-01.2009 TSRSB Deputy General Secretary
2005-2006 Turkish Prime Ministry Insurance Audit Board / Istanbul
Group Chairman
04.1990-05.2006 Turkish Prime Ministry Insurance Audit Board /
Insurance Audit Specialist

Erdiñç Yurtseven / Deputy General Manager



DATE OF APPOINTMENT
02.01.2009

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Technical Deputy General Manager

EDUCATIONAL BACKGROUND
Yıldız University Civil Engineering
Construction Department

TERMS OF OFFICE AND WORK EXPERIENCE

10.1997 MAPFRE Sigorta A.Ş. Group Manager
12.1993 - 10.1997 Oyak Sigorta A.Ş. Deputy Technical Manager
01.1991 - 12.1993 Örkap İnşaat Construction Site Chief
10.1990 - 01.1991 Kardeşler İnşaat Static Calculation Expert

Nevzat Volkan Babür / Deputy General Manager



DATE OF APPOINTMENT
10.06.2011

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager for Health

EDUCATIONAL BACKGROUND
Istanbul Technical University

TERMS OF OFFICE AND WORK EXPERIENCE

06.2011 - MAPFRE Sigorta A.Ş. Deputy General Manager
07.2010 - 06.2011 HDİ Sigorta A.Ş. / Deputy General Manager
2007 - 06.2010 / Başak Groupama Sig. A.Ş. / Deputy General Manager
1995 - 2007 / Ray Sigorta A.Ş. Deputy General Manager
1994 - 1995 / Milli Reasürans T.A.Ş. / Technical Affairs Manager
1989-1994 / Halk Sigorta T.A.Ş. / Deputy Reassurance Manager
1988-1989 / Destek Reasürans T.A.Ş. / Deputy Specialist

Osman Tolga Dağlıer / Deputy General Manager



DATE OF APPOINTMENT
01.10.2012

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager for Marketing and
Sales

EDUCATIONAL BACKGROUND
Istanbul Technical University
Environmental Engineering

TERMS OF OFFICE AND WORK EXPERIENCE

2004.01 / Türkiye Genel Sigorta A.Ş. Group Manager
1999.01 - 2004.01 / Türkiye Genel Sigorta A.Ş. Service Manager
1998.01 - 1999.01 / Türkiye Genel Sigorta A.Ş. Assistant Manager
1997.01 - 1998.01 / Türkiye Genel Sigorta A.Ş. Deputy Manager

İlker Sirtıkırmızı / Deputy General Manager



DATE OF APPOINTMENT
01.01.2014

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager Responsible for
Regional Marketing

EDUCATIONAL BACKGROUND
Gazi University
Labor Economics and Industrial Relations

TERMS OF OFFICE AND WORK EXPERIENCE

01.2014 Deputy General Manager
01.2009 - 12.2013 Group Manager
01.1999 - 01.2009 Ankara Region Manager
07.1995 -01.1998 Ankara Region Deputy Manager
01.1994 -01.1995 Ankara Region Marketing Official
06.1990 - 12.1993 Ankara Region Sales Specialist

Ergun Ulusoy / Deputy General Manager



DATE OF APPOINTMENT
12.02.2016

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager VP for
Commercial, Industrial Insurances Technical
and Non-Motor Claims

EDUCATIONAL BACKGROUND
Trakya University Mechanical Engineering

TERMS OF OFFICE AND WORK EXPERIENCE

2011-2015 / MAPFRE Genel Sigorta A.Ş. Broker Marketing Director for
Engineering and Liability Insurances and Corporate Risks
2008-2011 / MAPFRE Genel Sigorta A.Ş. Service Manager for
Engineering and Liability Insurances
2006-2008 / T. Genel Sigorta A.Ş. Underwriting Unit Manager
2003-2006 / T. Genel Sigorta A.Ş. Unit Manager of Engineering and
Engineering Claims
1998-2003 / T. Genel Sigorta A.Ş. Official for Engineering, Reassurance
and Proprietary Risks
1996-1998 / T. Genel Sigorta A.Ş. Risk Management Department - Risk
Engineer

Ercan Eryaşar / Deputy General Manager



DATE OF APPOINTMENT
15.02.2017

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager Responsible for
Other Channels Sales and Marketing

EDUCATIONAL BACKGROUND
Zaragoza University, Faculty of Law

TERMS OF OFFICE AND WORK EXPERIENCE

2015 - 2017 MAPFRE Sigorta A.Ş Own Network TURKMAPFRE Director
2014 - 2015 MAPFRE International S.A El Salvador Deputy General
Manager Responsible for Marketing
1998 - 2013 MAPFRE International S.A Zaragosa Regional Director
1994 MAPFRE International S.A Zaragoza Automobile Regional
Technical Director

Luis Estela Gaspar / Deputy General Manager



DATE OF APPOINTMENT
15.02.2017

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager Responsible for
Operations

EDUCATIONAL BACKGROUND
Military Academy (KHO) Ankara

TERMS OF OFFICE AND WORK EXPERIENCE

1997 - 2017 MAPFRE Assistance - Turassist Deputy General Manager
1996 - 1997 Birlas Ltd. Şti.
1987 - 1996 TSK Machinery Officer - Sales Director

Levent Karagül / Deputy General Manager



DATE OF APPOINTMENT
27.04.2017

AREA OF RESPONSIBILITY
MAPFRE Sigorta A.Ş.
Deputy General Manager Responsible for
Human Resources

EDUCATIONAL BACKGROUND
Istanbul University, Faculty of Law

TERMS OF OFFICE AND WORK EXPERIENCE

2010 - 2017 MAPFRE Sigorta A.Ş. HR Director - Executive Committee
Member
2008 - 2010 MAPFRE Sigorta A.Ş. Business Development and Group
Relationships Unit Manager
1998 - 2008 MAPFRE Sigorta A.Ş. Non-Motor Damage Underwriter
1996 - 1997 Oyak Sigorta Recourse Officer
1993 - 1996 Lawyer

Necla Aksoy / Deputy General Manager

Within the scope of the permission given by the Company General Assembly, the governing body members do not perform any operation on behalf of themselves or others which would fall within the scope of the prohibition of competition.

Number of Staff

As of the end of December 2017, a total of 781 staff members including dual payroll employees are employed in our company, with 475 staff members employed at the Headquarters, and 306 staff members employed in the Regional Directorates of Istanbul, Gaziantep, Adana, Ankara, Antalya, Beşiktaş, Bursa, Çankaya, Denizli, İzmir, Izmit/Kocaeli and Eskişehir and Branch Directorates of Kayseri, Konya, Samsun, Denizli, Çorlu and Istanbul.

The company's Board of Directors consists of five members including the General Manager. The company's senior management consists of a General Manager, 9 Deputy General Managers and the remaining staff consists of 13 directors, 119 mid-level managers (department, service and region managers), and 639 technical and administrative staff members.

The table below shows the company's employees in terms of education and gender.

Department Graduated From	Male	Female	Total
Primary School	4	1	5
Middle School or Equivalent	9	3	12
High School or Equivalent	54	47	101
Associate Degree	61	80	141
Bachelor's Degree	218	252	470
Graduate Degree	27	25	52
TOTAL	373	408	781

Information Relating to Human Resources Practices

Our Human Resources takes its lead from the fact that the ability to achieve corporate objectives is proportional to the skills and efforts of our employees, creating a corporate culture where;

- **the best employees want to work,**
- **staff are permanent and happy as they can convert their potential to high performance,**
- **and the resulting output is service quality and customer satisfaction.**

In line with the vision of Human Resources, it aims and undertakes;

- a) To create a working environment where mutual respect and trust is essential and everyone feels responsible for achieving the determined objectives and ensuring their sustainability.
- b) To encourage a two-way open communication that is the basis for trust between the employees and their directors.
- c) To ensure that the works are structured to provide the most productive operation and that the staff are employed in duties suited to their knowledge and skills.
- d) To evaluate employee performance with objective benchmarks and appreciate, incentivize and motivate staff displaying high performance.
- e) To manage the career development, promotion and compensation of staff within an objective system.
- f) To determine, plan and implement the training needs of the employees which are related to professional and personal development.

- g) To create a work environment that encourages employees to develop themselves and their work and to make improvements with their suggestions.
- h) To employ persons eligible for the job and corporate culture primarily through the current human resources of the company, with the employees with high performance having the priority to be tasked with responsible duties and employees being prepared appropriate to their assigned jobs in order for them to display good performance in a short period of time.
- i) To create a safe and healthy work environment.
- j) To evaluate and implement all rights of employees in accordance with the laws and rules.

Manpower is the most prominent value within MAPFRE System. With the awareness that all kinds of developments provided in this field play a key role in the future success of our organization, it adopts a management philosophy focused on training leaders who;

- have effective human management skills
- promote learning and development
- know and practice human resource practices

via providing correct training to correct person.

Talent management at MAPFRE Sigorta refers to the integration of new employees and their development, development and retention of the current employees and the processes that will gain the best and most talented employees to our country, manage their performances and bring out their potential. Our talent management practices are directly related to the performance management, leadership development, workforce planning and identification of the skill gaps and with our recruitment systems.

By transferring individual responsibilities to each employee personally, starting from management levels, it is aimed that our employees take on responsibility for our company's business objectives.

HR Practices serve the realization of our company's mission, goals, objectives and budgets by developing and implementing the planning and strategies relating to manpower.

Based on our corporate policies and values, these practices uphold the basic approaches that must be observed in determining the means and conditions of staff recruitment and payment, staff training, performance monitoring and dismissal in order to ensure that all affairs in the company are conducted efficiently, effectively, ethically and in conformity with the laws in effect.

The aim is to reflect the corporate values and principles which should guide the Company's operations as well as professional operations of the staff.

MAPFRE Group corporate policies are determined, published and executed according to the general principles set by the MAPFRE System. The managers at all levels and the Staff are responsible for the implementation of the corporate policies and controlling the practices together.

MAPFRE Group's Vision, Mission and Values

Our Vision

It is to be a reliable insurance company worldwide.

Our Mission

We are a multinational team that works with the purpose of continuous improvement and developing the best possible relationships with our customers, distribution channels, suppliers, shareholders and the public.

Our Values

Capital Power

- Financial strength with sustainable results.
- International diversification, strengthening our position in different markets.

Integrity

- The ethical values that guide our behavior.
- A sense of social responsibility that is the focus of all our activities.

Spirit of Service

- Continuous pursuit of excellence while carrying out our operations.
- Continuity in the business approach focused on maintaining and observing client relationships.

Innovation for Leadership

- Continuous development and improvement effort.
- Useful technology that serves the business and business objectives.

A Committed Team

- A team fully committed to MAPFRE project.
- Continuous training and development of the team's skills and abilities.

FINANCIAL BENEFITS GRANTED TO THE MEMBERS OF THE GOVERNING BODY AND TO THE SENIOR EXECUTIVES

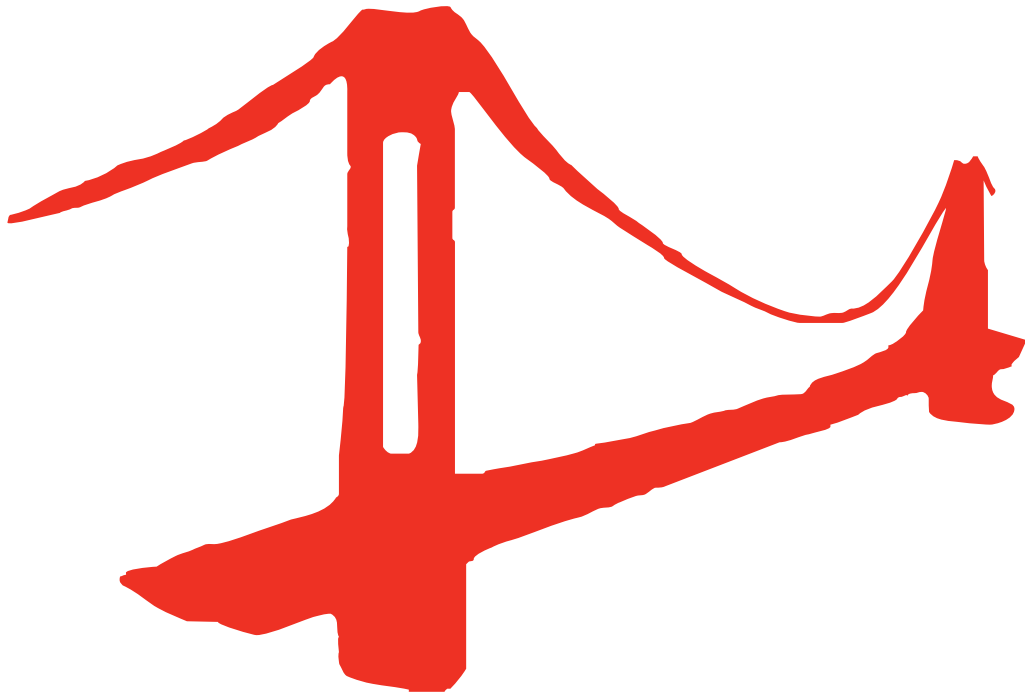
MAPFRE Sigorta

Financial benefits provided to the members of the governing body and to the senior executives

The governing body and senior executives are composed of the Board Members, General Manager, Deputy General Managers and Directors.

In 2017, the gross total amount of financial benefits such as daily allowance, wages, premiums, bonuses, and dividends provided to governing body members and senior executives was TRY 14,434,219.

The funds, travel and accommodation allowances and per diems paid to the members of the governing body and senior executives in year 2017 amounted to TRY 398,622.



RESEARCH AND DEVELOPMENT ACTIVITIES

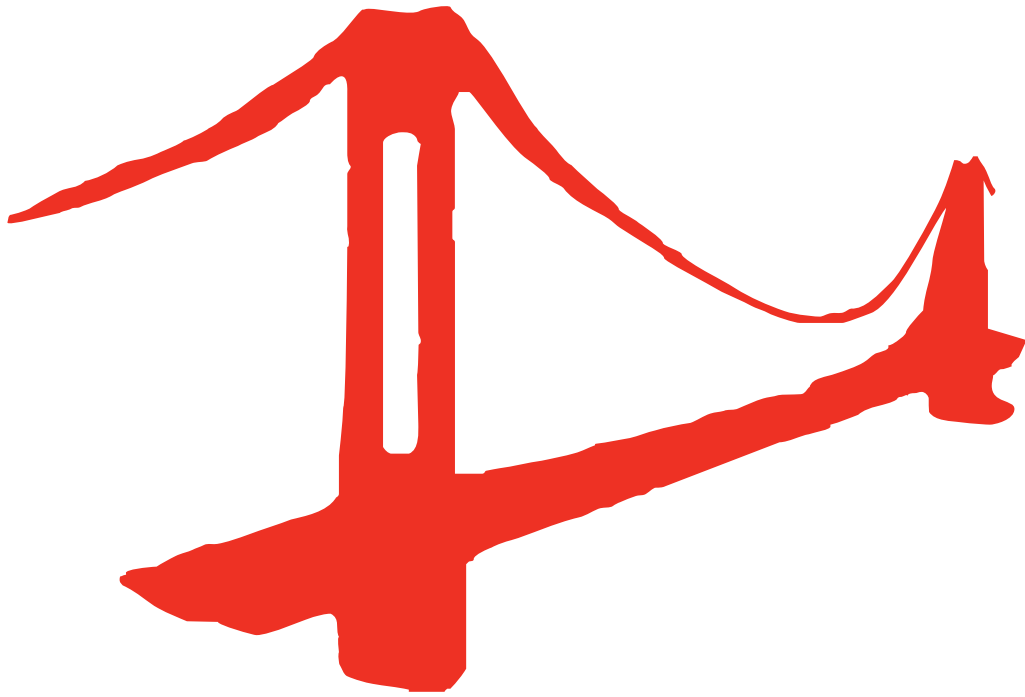
 **MAPFRE** Sigorta

Information relating to the research and development practices related to new services and activities

MAPFRE Sigorta takes the procedures set out below as the basis in the creation of new products and/or new services:

- Identification of the new needs on the basis of customer and resources (agency, brokers, etc.) and determination of the need for new products and/or new services by taking into account the demands,
- Carrying out the feasibility studies for the identification of the potential business volume (market research - benchmarking) and preparation of the new product and/or service design plan by seeking the know-how support from the relevant MAPFRE center,
- Examination of the legal processes relating to the branch related to the product and/or service,
- Creation of the coverage of the guarantee, tariff related to the product and/or service in accordance with the insurance law and by taking into account the compliance with the Insurance General Conditions and possible reinsurance conditions,
- If the automation works for the product and/or service are necessary, completing such works in parallel with MAPFRE Soft.

Even if there are issues which do not require the Company to obtain a new branch license, pursuant to the Legislation on the new products, it may be necessary to apply to the Undersecretariat of Treasury, General Directorate of Insurance and obtain the related approval. In cases where this need arises, after the completion of the works related to new product, the process is completed with the work necessary for the application and approval as the final stage.



**COMPANY'S
OPERATIONS AND
SIGNIFICANT
DEVELOPMENTS
RELATED TO THE
OPERATIONS**

 **MAPFRE** Sigorta

Company's Operations and Significant Developments Related to the Operations

The Board of Directors resolution dated June 1, 2017, no. 31 was taken with respect to the move of the company headquarters to Torun Center, Fulya Mahallesi, Büyükdere Caddesi No: 74 D Blok Mecidiyeköy 34381 İstanbul as of June 19, 2017, and was published on Turkish Trade Registry Gazette dated June 29, 2017 no. 9356.

Risk Management, Internal Control and Compliance Operations in 2017

Our company's internal control system includes risk management, internal control and compliance functions and in accordance with the Regulation on the Internal Systems of the Insurance & Reinsurance and Pension Companies of the Undersecretariat of Treasury, it is executed under the administration of the General Manager and so that the ultimate responsibility belongs to the Board of Directors. The board member responsible for the internal systems, the risk manager and the internal control supervisor and head of compliance has already been assigned by the Board of Directors. These functions operate in accordance with the policies approved by the Board of Directors, including but not limited to particular the Risk Management Policy, Compliance Policy and Internal Control Policy, and the procedures duly established on the basis of these policies. These policies lay down the principles and distribution of responsibilities between risk management, internal control, and compliance functions, as well as the duties and responsibilities of the staff members of these functions. The Risk Management Committee consisting of General Manager, Deputy General Manager responsible for the Financial Affairs and Risk Manager operates within this context.

The internal control system, which consists of control environment, risk evaluation, control activities, information, communication and supervision in line with the framework of COSO, is a process designed to ensure the effective and efficient execution of operations aiming at the achievement of our company's objectives, the reliability of financial information, and compliance with legal regulations and MAPFRE Group rules. The system has been configured in line with the triple lines of defense. Accordingly, all process owners in the first line of defense are made responsible for determining the risks arising from their operations and implementing checkpoints to minimize these risks alongside the senior management, in line with the principles stipulated in the Internal Control Policy and the Regulation on the Internal Systems of the Insurance & Reinsurance and Pension Companies, as well as the rules of MAPFRE Group. The Risk Management, Internal Control and Compliance functions located on the second line of defense are responsible for the effective and productive operation of the internal control system and its supervision, while the Internal Audit Service located in the third line of defense is responsible for its audit. The internal control system in our company is annually and regularly subjected to the audit of the internal audit department. Training programs are organized to raise awareness about internal systems, and the awareness levels of the employees are assessed through regular surveys.

Within the framework of the risk management function, insurance risks, market risks, and third party default risks are regularly assessed using specific models, and evaluated with respect to their impact on capital adequacy. Meanwhile, the operational risks are assessed each year using an application called Riskmap, followed by implementation of action plans regarding high-risk areas stipulated on the risk maps created in conclusion of the assessment. The operational risks faced are registered in and monitored over the operational risk inventory, and taken under control. Furthermore, the risks borne in the investment portfolio are analyzed and compliance with the investment risk limits approved by the Investment Strategy Committee are monitored and reported on a daily basis. The results concerning risk-based capital adequacy, insurance, market and third party risks, and operational risks, as well as the critical risk indicators are reported to the senior management and the Board of Directors regularly, for consideration in the context of decision-making mechanisms.

Within the framework of the internal control function, all process owners track the activities they perform during the execution of their processes and the risks concerning these activities, along with the controls applicable, using a standard form, and also regularly test the checks they apply. Furthermore, the effectiveness of the activities implemented at our firm are assessed on an annual basis using control schemes. In line with the annual internal control plan, financial reporting, information systems, communication and compliance checks are applied; any control deficiencies observed are then tracked with reference to internal control findings, followed by required action.

The compliance function serves to ensure that the company's operations are carried out effectively and productively, in line with internal directives and legal regulations, within the framework of the mission, vision and values of the company. The purpose, scope, authorities and duties of the Compliance Function are specified in the Company's Compliance Policy. In this context, the Compliance Function covers the tracking of compliance risks, the impact of the changes in regulations on the company, regular reporting required by government authorities, and compliance with MAPFRE Group's policies, not to mention the correspondence with supervision organizations and government authorities. The compliance function's operations are reported to the Board of Directors on an annual basis.

Along with such functions, the ISO 9001:2008 Quality Management System, as per certification issued each year by international certification agencies, enabling the management of product and service quality and efficiency, and compliance with the customers' requirements at the highest level, is implemented at our company.

Internal Audit Activities for the Year 2017

The internal audit activities for the year 2017 outline the following aims: control and audit of the all businesses and operations of the company, in particular compliance with the applicable laws, regulations, communiqués, tariffs and instructions, general conditions and other legislation, internal guidelines of the company and management strategy and policy and the prevention and identification of the errors, frauds and irregularities.

In line with these objectives, the activities of the Internal Audit Department for the year 2017 were conducted in accordance with the MAPFRE Sigorta A.Ş. internal audit legislation to cover all activities of MAPFRE Sigorta A.Ş. including outsourcing, to the extent that they would include the General Directorate Departments, Regional Directorates and agencies.

In 2017, 40 audits were carried out by the Internal Audit Department. 14 of these audits were for Central Services, 17 were for Regional and Branch Directorates, 5 were for Special Duty, 3 were for Information Technology, and 1 was for agencies.

Management's Opinion on Internal Control System's Operations and Internal Audit Activities

Throughout the year 2017, the internal control environment, capital adequacy, insurance business risks, third party risks, and operational risks and internal control and compliance activities of the company were monitored over the reports submitted to the management, and were found to be in line with the risk appetite of the firm.

In this context, the Board of Directors meeting held on 15.02.2017 saw a review and update of the Internal Audit Policy and Directive, while the Board of Directors meeting on 18.07.2017 reviewed and updated the following policies:

- Risk Management Policy and Risk Appetite
- Risk Management Service Directive
- Actuary Service Policy
- Compliance Function Policy
- Outsourcing Policy for Insurance and/or Reinsurance Functions and/or Operations
- Credit Risk Management Policy
- Operational Risk Management Policy
- Asset and Liability Management Policy
- Liquidity Risk Management Policy

Affiliates of the Company

As of 31.12.2017, the company has the following affiliate relationships:

	AMOUNT	SHARES
AFFILIATES		
TARIM SİGORTALARI HAVUZ İŞLETMELERİ A.Ş. (TARSİM)	346,211	4%
SUBSIDIARIES		
MAPFRE YAŞAM SİGORTA A.Ş.	20,816,506	99.50%
GENEL SERVİS YEDEK PARÇA DAĞITIM TİC. A.Ş.	2,428,025	51%
	23,590,742	

- The Company has no acquired own share

Public Audit

Within the company's 2017 fiscal year,

On the report on "Claim and Damages Procedures Audit" no. 1 dated 15.01.2016, issued by the Prime Ministry of Turkey, Undersecretariat of Treasury, General Directorate of Insurance, it was decided that the fine issued originally as TRY 36,000 on the basis of article 34, paragraph two, sub-paragraph (j) of the Law no. 5684 should be applied as TRY 44,410 on the basis of revaluation with reference to article 17, paragraph seven of the Misdemeanors Law no. 5326.

As the administrative fine in question was paid within 1 month to follow the service of the decision, to the tax office the firm is registered with, without any appeal, the case was closed with the payment of TRY 33,307.50, which represents three-fourths of the total fine.

On 11.01.2018, with reference no. 1-1288, our firm submitted its response to the draft report no. 1 dated 29.12.2017 drawn up by the Prime Ministry of Turkey, Undersecretariat of Treasury, General Directorate of Insurance, regarding the Technical Reserves Audit. As of 31.12.2017, the audit process has yet to be completed.

Private Audit

The information about the audit firms that the Company works with on the Independent Audit and Tax Audit and the audit hours are as set out below.

TITLE OF INDEPENDENT AUDIT

FIRM	KPMG BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
ADDRESS	İŞ KULELERİ, KULE 3 KAT: 2-9 LEVENT 34330 - İSTANBUL
TAX OFFICE REGISTRATION #	BOĞAZIÇI KURUMLAR V.D 589 026 9940
PHONE	0212 316 60 00
FAX	0212 316 60 60

AUDIT PERIOD 2017

RESPONSIBLE ASSOCIATE LEAD AUDITOR	36 HOURS
SENIOR AUDITOR	60 HOURS
AUDITORS AND DEPUTY AUDITORS	904 HOURS
TOTAL	1.000 HOURS

TITLE OF SWORN FINANCIAL ADVISOR


FIRM	FK YEMİNLİ MALİ MÜŞAVİRLİK LTD.ŞTİ.
ADDRESS	ATA 4 ÇARŞI PLAZA KAT: 3 D: 34 PLAZA ATAŞEHİR - İSTANBUL
TAX OFFICE REGISTRATION #	KOZYATAĞI V.D 385 034 6662
PHONE	0216 456 07 79
FAX	0216 456 06 82

AUDIT SCHEDULE FOR YEAR 2017

MAY 2017	3 DAYS
JULY 2017	2 DAYS
AUGUST 2017	5 DAYS
OCTOBER 2017	2 DAYS
DECEMBER 2017	3 DAYS
JANUARY 2018	2 DAYS
FEBRUARY 2018	2 DAYS
APRIL 2018	3 DAYS
TOTAL	22 DAYS

Information relating to the internal audit supervisor of the company and the auditor authorized in accordance with Turkish Commercial Code number 6102 internal audit official

Internal Audit Official

	DATE OF APPOINTMENT 07.05.2010	TERMS OF OFFICE AND WORK EXPERIENCE 2010 - MAPFRE Genel Sigorta A.Ş. 2008-2010 KPMG Deputy Director for Internal Audit 2004-2008 Anadolu Sigorta A.Ş. Inspector
	AREA OF RESPONSIBILITY MAPFRE Sigorta A.Ş. Director of Internal Audit	
	EDUCATIONAL BACKGROUND Dokuz Eylül University, Civil Engineering University of Northern Iowa, MBA	
Y.Emre Göçmen / Director of Internal Audit		

Information on the authorized auditor selected in agenda item no. 8 of the Ordinary General Assembly meeting held on March 31, 2017 is as follows. (The change of title and contact details of the Independent Audit Firm was registered and announced on the Trade Registry Gazette of Turkey, issue 9460 dated November 27, 2017)

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

İş kuleleri, Kule 3 Kat: 2-9
Levent 34330 İSTANBUL

Boğaziçi Corporate Tax Office - 589 026 9940

Phone: 0212 316 60 00
Fax : 0212 316 60 60

www.kpmg.com.tr

Lawsuits Filed Against the Company

Although they do not affect the financial situation and activities of the company, the number of pending lawsuits filed against the Company stand at 7,789. 7,741 of these lawsuits are for damages, for a figure of TRY 378,009,875; this amount appears on the Company's financial tables as Outstanding Claims. There is a further set of 48 lawsuits on other issues, for a figure of TRY 1,789,433.

The necessary provisions were allocated in the Company's financial tables both for the damages and for the other lawsuits.

Information concerning whether the targets set in the past have been reached and whether the General Assembly resolutions are fulfilled or not

The total premium production figure of our firm is TRY 2,682,017,675.

Broken down by branches, a fall of 15.03% was observed in the auto accident branch which accounts for 56.02% of the total premium production, while the medical branch accounting for 17.82% of the total premium production registered a premium increase of 10.65%.

Our company's profit before tax in 2017 increased by 96.3% compared to the last year, to TRY 248,999,408, and the profit after tax increased by 86.95% to TRY 186,497,248.

In the previous year, the overall market share of our firm was 6.90%, while the market share achieved in 2017 was 5.8%, bringing the 4th place in overall sector rankings in 2017.

In non-life branches, the wider insurance sector registered a premium increase of 11.18% in 2017, while our firm saw a decrease of 4.10% in premium figures, compared to the previous year.

In 2001, our company was assessed by an international rating company with A + (Tur) financial strength rating. The company has continued this success into this present with Fitch rating agency raising our national financial strength rating to AA (Tur) in 2007 and confirming our financial strength rating on July 27, 2017 as AA (Tur).

The Board of Directors resolution dated June 1, 2017, no. 31 was taken with respect to the move of the company headquarters to Torun Center, Fulya Mahallesi, Büyükdere Caddesi No. 74 D Blok Mecidiyeköy 34381 Istanbul as of June 19, 2017, and was published on Turkish Trade Registry Gazette dated June 29, 2017 no. 9356.

The company paid the TRY 66,977.99 figure required by the resolution of the Ordinary General Assembly dated 31.03.2017 for which owners of the founder dividend shares were liable, along with the TRY 31,675,000 dividend payable to other shareholders in line with their shareholding, while the remaining figure of TRY 53,005,643.26 was transferred to shareholders' equity as extraordinary reserves in order to strengthen the shareholders' equity.

In the light of these results, it is observed that all the decisions made at the Ordinary General Assembly Meeting held on 31.03.2017 were fulfilled by the Company Management.

Extraordinary General Assembly Meeting

On 21.12.2017, the company had its Extraordinary General Assembly meeting, which led to the decision to pay advance dividends.

Information on the Attendance of Board Members at Meetings

According to the Articles of Association, the Board of Directors meets as required. One more than half of the members should be present for the meetings to be valid. The decisions are taken by a majority of the present members. The minutes prepared accordingly are written in the minute book and signed by the members. The Board of Directors represents the company for its shareholders, 3rd parties and before the courts. In 54 of 55 board decisions taken unanimously during the year, all members participated.

The donations & grants and the expenditures within the framework of social responsibility projects made by the Company during the year

The total amount of donations made by the Company in 2017 was TRY 4,250.

The volunteering projects and the social responsibility projects realized by the Company in 2017 are listed below; the sponsor of both project groups is Fundación MAPFRE.

"I am a Volunteer" Program:

With the participation of 212 employee volunteers in 2017 within the scope of the "I am a Volunteer" projects, the following activities were organized:

- Donation of scarves and berets to primary school students - 10.02.2017
- Social media awareness-raising campaign for childhood cancers - 15.02.2017
- Participation in Runatolia charity run for the benefit of children and youth - 05.12.2017
- Sign language education in three groups - March-April 2017

- Attendance in two concerts by the Social Inclusion Band composed of disabled and professional musicians, and accompanying the group with sign language interpretation - March-May 2017
- Two offerings of soup to homeless people - 23.03.2017 and 21.09.2017
- Stationery donation to primary school children - 03.04.2017
- Donation of umbrellas to primary school children - 21.04.2017
- Wood-painting workshop for children with cancer - 23.04.2017
- Blood donation campaign - 03.05.2017
- Stem cell donation campaign - 03.05.2017 and 05.10.2017
- Attendance in improvisation and dance workshops with disabled students, at the Academy of Dreams - 07.05.2017
- Theater show by MASK Theater Club, for the benefit of the Turkish Foundation for Making Children Free Once Again - 10.05.2017
- Awareness raising campaign for urban gardening and seed planting workshop on the World Environment Day - 05.06.2017
- Attendance in the traditional picnic of the Foundation for Children in Need of Shelter, and food assistance - 09.09.2017
- Attendance at the picnic for and stationery donation to Soma Disaster scholarship students of the Turkish Education Foundation - 15.09.2017
- Information seminar on charity run - 21.09.2017
- Activities organized by the regional directorates in the cities they operate in, on the occasion of MAPFRE Volunteers Day, and awareness raising campaigns for keeping the parks and shores clean - 07.10.2017
- Clothing and stationery donation for primary school students - 20.10.2017
- Charity run for children and youth - 12.11.2017
- Establishment of a neighborhood library - 10.12.2017

Social Responsibility Projects by Fundación MAPFRE:

The Foundation carries out its operations in Turkey via MAPFRE Sigorta, and executes numerous social responsibility projects focusing on health, road safety, and social development issues, with reference to the problems and needs of the society it operates in.

The Foundation's operations in Turkey in the area of Social Development focus on nutrition, education, and health. The Foundation recently developed the Knowledge Tree for Childhood Cancers portal, as the first portal focusing on childhood cancers in Turkey, in cooperation with the Hope for Children Suffering from Cancer Foundation (KAÇUV). The work on the development of the portal began in 2016, culminating in the launch in June 2017. The portal aiming to increase the awareness levels of the families by providing them accurate information on the condition and treatment processes of their children is accessible at the address www.cocukkanseri.org. Through a single platform, the families can access various books, booklets, and articles about cancer and types of treatment, not to mention educational videos on a number of issues such as the types of cancer, treatment methods, and concerns about the psychology of children. Furthermore, live seminars offered through the platform provide a channel for the parents to meet experts and ask them questions about the subjects they are interested in. On the other hand, within the framework of the project implemented in cooperation with Turkish Education Foundation (TEV), the Foundation provided scholarships to 33 university students during the academic year 2016-2017. In the academic year 2017-2018, the number of scholarship students rose to 48. Given the specific focus on individuals with disabilities, 10 of the scholarship students in the first year, and 15 in the second year were named from among the children with disabilities. As part of the cooperation efforts which began in 2017, the annual food costs of 30 students enrolled at Darüşşafaka are, again, covered by the Foundation.

The Foundation's efforts in the Health area in Turkey include the Healthy Living Workshops being carried out since 2014. For 4 years now, the project reaches out to thousands of children in primary school, trying to raise

awareness about obesity, providing them tips on healthy living in the form of a fun theater play. The project implemented in all districts of Istanbul in cooperation with the Provincial Directorate of Education reached out to 37,000 students to date. The number of students reached out in 2017 alone is 14,702. In 2017, the scope of the project was expanded to cover the neighboring provinces in the Marmara region, beyond the borders of Istanbul.

In the Accident Prevention and Road Safety area, the “Bıdık ile Köpük Trafikte” theater play for the children, written in consideration of the traffic problems of Turkey, teaching traffic rules, was presented free at theaters.

The play not only emphasizes the importance of observing the rules in traffic, but also aims to make children fond of theater. In 2017, the play was shown to approximately 10,000 children in major theater halls of Istanbul, as well as Ankara, Kayseri, Antalya and İzmir.

Relationships with the Companies Community and Their Results

The Parent Company does not provide us with direct instructions regarding which company to work with. However, in 2017, our Company conducted business with MAPFRE Group companies, subject to market conditions and within the framework of company policies.

Our Company has realized all transactions with properly substituted performances subject to market conditions. Our company did not suffer any damages as a result of the operations it has carried out. On the contrary, our Company’s transactions with Affiliates resulted in faster returns and faster processing of transactions, with the commercial life of our Company in consideration.

Upon evaluation of the relations of our Company in 2017 within the scope of TCC Article 199, it is understood that our company has carried out all the transactions within the market conditions with the appropriate counteractions. Accordingly, there are not any legal proceedings or precautions to be undertaken by the Company within the scope of TCC Article 199.

Corporate Governance Regulations Compliance Report

MAPFRE SİGORTA A.Ş.

Report on Compliance with Corporate Governance Regulations

1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

MAPFRE Sigorta A.Ş. (the “Company”) follows the corporate governance regulations set forth in “Circular no. 2011/8 on the Corporate Governance Regulations of the Insurance Companies & Reinsurance Companies and Pension Companies” (“Circular”) issued on 27.04.2011 by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, and takes utmost care to carry out its business and operations in accordance with these regulations.

In this context, the company’s Board of Directors decided to establish a Corporate Governance Committee with decision no. 2013/27 dated September 17, 2013. Duty of the Corporate Governance Committee: Conducting the necessary works to ensure compliance with the principles contained in the Communiqué, making recommendations to the Board of Directors for this purpose, and monitoring the company’s compliance with the principles.

Information about the members of the Corporate Governance Committee is listed below.

Name	Position in the Committee	Position in the Company	Contact Details Phone (212 334 90 00)
Alfredo Muñoz Pérez	Chairman	General Manager Member of the Board of Directors	amunoz@mapfre.com.tr
Erdinç Yurtseven	Member	Deputy General Manager	eyurtseven@mapfre.com.tr
Necla Aksoy	Member	Deputy General Manager	naksoy@mapfre.com.tr
Merve Öney	Member	Director of Department of Legal Affairs	money@mapfre.com.tr

However, the “MAPFRE Group Ethics and Conduct of Code Book”, which was approved on 25.06.2009 by MAPFRE S.A., which is the parent group company of MAPFRE International S.A, and which entered into force on 01.09.2009, is being implemented in all MAPFRE Group Affiliates, including our company, and it makes a significant contribution in the adoption of the corporate governance regulations by taking the equity, transparency, accountability and responsibility principles as its basis.

2. SHAREHOLDERS

Our company has not established a separate “Relationship with the Shareholders” Unit since the share rate of its main partner; MAPFRE International S.A is 99.75%. Relationships with the shareholders are conducted within the Legal&Financial and Administrative Affairs Departments.

3. EXERCISE OF THE RIGHT TO INFORMATION OF THE SHAREHOLDERS

All shareholders are treated equally by our Company. There is no discrimination between the shareholders in the exercise of the rights to information and reviewing the information, and except for trade secrets, any provision of information to the shareholders is fulfilled. Any kinds of information having importance that may affect the use of shareholders’ rights are presented to the shareholders in the “Announcements” section on our company’s website as up to date.

4. GENERAL ASSEMBLY MEETINGS

Our company takes every measure to ensure the participation of the shareholders at the General Assembly before the General Assembly Meetings in a timely manner and provides information on the agenda of the General Meeting in a complete manner so as not to create any hesitation and to enable the shareholders to make the necessary preparations. In the General Assembly Meeting, the issues on the agenda are communicated in an unbiased and detailed way, with a clear and understandable method and the shareholders are given the opportunity to express their opinions and ask questions under equal conditions and a healthy discussion environment is created. Our company provides each shareholder the opportunity to use their right to vote in the most appropriate and convenient way.

Two (2) General Assembly Meetings were held in 2017, one being ordinary, the other being extraordinary. The first meeting was held at the former headquarters of the company, located at the address Yenişehir Mah. İrmak Cad. No: 11, 34435, Beyoğlu, Dolapdere, İstanbul. The second meeting, on the other hand, was held at the new headquarters located at the address Torun Center Büyükdere Cad. No: 74 D Blok Mecidiyeköy, Şişli 34387, İstanbul.

The call for the Ordinary General Assembly Meeting convened on March 31, 2017, as stipulated in the Articles of Association and under an agenda format, was made through a published statement in Turkish Trade Registry Gazette No. 9278 dated March 7, 2017, as well as copies of the newspapers Akşam and Posta dated March 4, 2017, while on March 4, 2017 an announcement was published on the company’s website. Furthermore registered letters were sent to registered shareholders, notifying them about the meeting date and agenda within the period required. Our annual report for the 2016 period (including the financial tables), the independent auditor’s opinion and other documents that constitute the basis for the agenda items of the General Assembly were presented to the shareholders. Our annual report for the 2017 period (including the financial tables),

the independent auditor's opinion and other documents that constitute the basis for the agenda items of the General Assembly will be submitted for the information of the shareholders on March 31, 2018.

The call for the Extraordinary General Assembly Meeting convened on December 21, 2017, as stipulated in the Articles of Association and under an agenda format, was made through a published statement in Turkish Trade Registry Gazette No. 9464 dated December 1, 2017, as well as copies of the newspapers Akşam and Posta dated November 29, 2017, while on November 29, 2017 an announcement was published on the company's website. Furthermore registered letters were sent to registered shareholders, notifying them about the meeting date and agenda within the period required. In the meeting, it was decided to pay advance dividends.

At both General Assembly meetings, it is considered that our shareholders have not encountered any difficulties or mishaps in their participation in the General Assembly. Because no feedback was received in this regard.

General Assembly minutes can be accessed from the company website at <http://www.mapfresigorta.com.tr/>. The related minutes are made available to shareholders at company headquarters. The shareholders asked no questions at the General Assembly and no advice on the agenda was given.

5. VOTING RIGHTS AND MINORITY RIGHTS

The Company avoids the practices that complicate the exercise of voting rights and it is intended that each shareholder uses their voting right according to the articles of association and the law.

The procedure of voting in the General Assembly has been set forth in the "Internal Guidelines on the Working Procedures and Principles of General Assembly of MAPFRE Genel Sigorta Anonim Şirketi" which was prepared with Board decision number 2013/13 dated March 22, 2013, and approved at the Ordinary General Assembly Meeting held on March 29, 2013 and it is made available for review by the shareholders at the General Assembly Meetings.

The company shows maximum attention to the exercise of minority rights and avoids those practices that complicate the free transfer of the shares by shareholders.

6. DIVIDEND RIGHTS

There is no privilege regarding participation in the Company's profit. Profit distribution is carried out in accordance with the relevant legal legislation and the articles of association within the legal timeframe. In determining the distribution of profit, the articles of association, long-term group strategies, investment and financing policies, profitability and cash positions and, most importantly, the capital adequacy ratios are taken into account. Estimates of the company's capital adequacy for the coming years and profit distribution decisions in parallel with the company's targets are made by the shareholders at the General Assembly held in March every year.

The profit distribution policy of the company is defined in Article 53 of the Articles of Association.

7. TRANSFER OF THE SHARES

Transfer of shares is made in accordance with the Articles of Association and the relevant legislation. There is no provision restricting the transfer in the Company's Articles of Association.

8. DISCLOSURE POLICY

Our Company's disclosure policy is approved by the Board of Directors. The disclosure intends to disclose information, except issues that fall within the scope of trade secrets within the framework of the legal legislation, timely and accurately and covers how, how often and in what way this information will be announced.

The information to be disclosed to the public within the framework of the disclosure policy has been determined as the quality policy; mission; vision; values; strategy; plans; past performance; goals; and other similar matters of the Company, except issues that are required to be disclosed by the relevant legal legislation and issues that fall within the scope of trade secrets pursuant to the relevant legislation.

The information specified to be disclosed with the relevant legal legislation is disclosed within the relevant period and issues other than these are disclosed via the above mentioned media when required. The disclosures are made on the company web address at www.mapfregenelsigorta.com ("Internet Address"); in company annual reports, Financial Reports and Independent Auditor's Report; in the Trade Registry Gazette; via announcements made through Written and Visual Media Organizations; with communication via landline and GSM operators; with press releases, meetings and promotions; by e-mail and similar communication methods and due authorization carried out with the authorized signatures of the company.

Management and execution of the Disclosure Policy are under the authority and responsibility of the Board of Directors. The related matters are announced by a member of the personnel to be appointed with the approval of the Company's General Manager.

9. COMPANY'S WEBSITE AND CONTENTS

In the "Information Society Services" section of the Company's Internet Address, the following are included: the capital structure of the Company; its Trade Registry Information, Board of Directors' information; Financial Information; General Assembly resolutions; Internal Directive; Registry Announcements, Auditor's Information and the "Announcement" section where important considerations are published. The related information is kept up to date and presented for the information of the public and, in particular, of our shareholders.

10. ANNUAL REPORT

Our company's annual report presents the requirements of the Corporate Governance Regulations to the shareholders and it is intended that the public obtains transparent and accurate information about the Company's activities.

11. INFORMATION TO STAKEHOLDERS

Our company uses the Company's Internet address actively in elucidation of the stakeholders and the public. In this context, the stakeholders are informed both via the section called the "Announcements" on the company's web site and by means such as press conferences, newsletters, annual reports, statements and so on. Thus, the information to be disclosed to the public, which may have an effect on the company's financial situation, the significant changes that may occur in this case are made available to the public in an accurate, complete, understandable, up to date and easily accessible format.

The activities with regards to notifying the employees of the human resources policies are carried out by the Human Resources Department both via the inter company intranet and e-mails and the written and visual posters.

12. PARTICIPATION OF THE STAKEHOLDERS IN THE MANAGEMENT

The company's Articles of Association do not include an arrangement for beneficiaries to participate in the management of the company. However;

- **Employees and Regions:** Employees and regions are informed by inter Company e-mails regarding the Company's activities; and for employees of the regional directorates, periodic regional meetings are organized.
- **Agencies:** Agencies are informed by inter Company e-mails regarding the Company's activities, and the agencies' contribution to the management is provided through agency meetings held during the year.
- **Shareholders:** Shareholder contribution rights are provided in accordance with the legislation related to participation in management and the articles of association.
- **Customers:** The Company information is presented in detail on the website for the customers. Also, the opportunity to have customers contribute to management is provided via the communication form on the Company's website.

13. HUMAN RESOURCES POLICY

The Human Resources Domain is developed to implement best practices in HR, starting with the establishment of the organizational structures enabling the implementation of MAPFRE Group's strategies, as well as attracting, developing, backing up and keeping within the framework of our strategies internal and external talent to realize corporate strategies and to take the organization to the future.

The Human Resources vision is about creating a corporate culture where the best want to work, where they want to stay and are happy since they can transform their potential into high performance, and where service quality and customer satisfaction are the outcomes of the employees, starting from the point where the ability of the Company to be able to realize its corporate objectives are proportional to the skill and efforts of our employees.

In line with this vision, the Company undertakes and aims to create a high-performing working environment based on mutual respect and trust, where everyone feels responsible for achieving the set targets and to ensure continuity; to encourage two-way open communication between employees, which is the basis of trust and mutual understanding between the employees and their managers; to structure tasks so as to ensure the most efficient operation and to ensure that employees are working in positions that suit their knowledge and abilities; to assess employee performance with objective criteria; to ensure that high-performing employees are appreciated, encouraged and motivated; to carry out employee career development, promotion and remuneration within an objective system; to identify, plan and implement the training needs of employees related to professional and personal development; to create a work environment that encourages employees to develop themselves and their work and to make improvements with their suggestions; to employ persons eligible for the work and corporate culture in the relevant jobs, initially from the available human resources of the company; to ensure high-performing employees are given priority for roles with responsibility and to prepare employees for roles they are assigned so that they can properly perform; to create a safe and healthy work environment and to evaluate and implement all the rights of employees in accordance with the laws and rules.

Manpower is the leading value within MAPFRE System. With the awareness that all kinds of development in this field play a key role in the future success of our Company, the Human Resources Policy adopts a management philosophy focused on developing leaders who have effective people management skills; encourages learning and development; and knows and implements human resources practices. In this context: the employment policy; wage policy; education policy; performance evaluation policy and the promotion policy principles have

been determined by the Human Resources Department in accordance with MAPFRE Group Global Policies and guidelines. During the preparation of the recruitment policy and the career planning, the principle of providing equal opportunities to people in equal conditions has been adopted, and the briefing meetings about the programs for the company's values, financial facilities provided, career development, training needs and health promotion have been carried out.

Executives have determined the job descriptions and distribution of duties of Company employees and shared these with the employees, providing them a safe environment and good conditions. Measures for the protection of the employees against physical, mental and emotional abuse within the company have been taken and in this regard, the "Protocol on the Prevention of Harassment Cases" has been put into effect. The Human Resources Department organizes e-learning sessions on issues such as Ethics and Code of Conduct and Prevention of Harassment Cases.

The Human Resources Domain strives to create more flexible, strategy-compliant and efficient structures with a view to providing flexibility and agility to the organization. Within the framework of the activities for professional development, talent management and career development, making most effective use of and developing the workforce through increased functional and geographical mobility, providing development leverage and training programs to support the implementation of strategies, and the development of systems to encourage self-learning rank at the top of the list. Our Talent Management practices start with our strategic initiatives, followed by the definition of the profiles we need for the implementation of our corporate strategies, the identification of the internal talent to match these profiles, and the formulation of development plans with reference to their strategic preparation levels.

All employees and executives work together to internalize and embrace MAPFRE culture within the framework of corporate governance principles, and to enhance employee commitment. In this context, all MAPFRE employees are positioned as a culture agent. With a view to improving the employee experience, meetings are held on ensuring the embrace of the corporate culture and values on part of the employees, internalization of targets and strategies, and raising awareness.

14. ETHICS AND SOCIAL RESPONSIBILITY

The Company has brought Ethics and Code of Conduct to the attention of the company's employees in the company intranet. The company is sensitive to social responsibility projects and acts in accordance with the regulations and ethical rules relating to the environment, consumers and public health. In this regard, volunteer and social responsibility projects were organized within the scope of the company.

The volunteering projects and the social responsibility projects realized by the Company in 2017 are listed below; the sponsor of both project groups is Fundación MAPFRE.

"I am a Volunteer" Program:

With the participation of 212 employee volunteers in 2017 within the scope of the "I am a Volunteer" projects, the following activities were organized:

- Donation of scarves and berets to primary school students - 10.02.2017
- Social media awareness-raising campaign for childhood cancers - 15.02.2017
- Participation in Runatolia charity run for the benefit of children and youth - 05.12.2017
- Sign language education in three groups - March-April 2017
- Attendance in two concerts by the Social Inclusion Band composed of disabled and professional musicians, and accompanying the group with sign language interpretation - March-May 2017
- Two offerings of soup to homeless people - 23.03.2017 and 21.09.2017
- Stationery donation to primary school children - 03.04.2017

- Donation of umbrellas to primary school children - 21.04.2017
- Wood-painting workshop for children with cancer - 23.04.2017
- Blood donation campaign - 03.05.2017
- Stem cell donation campaign - 03.05.2017 and 05.10.2017
- Attendance in improvisation and dance workshops with disabled students, at the Academy of Dreams - 07.05.2017
- Theater show by MASK Theater Club, for the benefit of the Turkish Foundation for Making Children Free Once Again - 10.05.2017
- Awareness raising campaign for urban gardening and seed planting workshop on the World Environment Day - 05.06.2017
- Attendance in the traditional picnic of the Foundation for Children in Need of Shelter, and food assistance - 09.09.2017
- Attendance at the picnic for and stationery donation to Soma Disaster scholarship students of the Turkish Education Foundation - 15.09.2017
- Information seminar on charity run - 21.09.2017
- Activities organized by the regional directorates in the cities they operate in, on the occasion of MAPFRE Volunteers Day, and awareness raising campaigns for keeping the parks and shores clean - 07.10.2017
- Clothing and stationery donation for primary school students - 20.10.2017
- Charity run for children and youth - 12.11.2017
- Establishment of a neighborhood library -10.12.2017.

Social Responsibility Projects by Fundación MAPFRE:

The Foundation carries out its operations in Turkey via MAPFRE Sigorta, and executes numerous social responsibility projects focusing on health, road safety, and social development issues, with reference to the problems and needs of the society it operates in.

In the Social Development area, the Foundation recently developed the Knowledge Tree for Childhood Cancers portal, as the first portal focusing on childhood cancers in Turkey, in cooperation with the Hope for Children Suffering from Cancer Foundation (KAÇUV). The work on the development of the portal began in 2016, culminating in the launch in June 2017. The portal aiming to increase the awareness levels of the families by providing them accurate information on the condition and treatment processes of their children is accessible at the address www.cocukkanseri.org. Through a single platform, the families can access various books, booklets, and articles about cancer and types of treatment, not to mention educational videos on a number of issues such as the types of cancer, treatment methods, and concerns about the psychology of children. Furthermore, live seminars offered through the platform provide a channel for the parents to meet experts and ask them questions about the subjects they are interested in. On the other hand, within the framework of the project implemented in cooperation with Turkish Education Foundation (TEV), the Foundation provided scholarships to 33 university students during the academic year 2016-2017. In the academic year 2017-2018, the number of scholarship students rose to 48. Given the specific focus on individuals with disabilities, 10 of the scholarship students in the first year, and 15 in the second year were named from among the students with disabilities. As part of the cooperation efforts which began in 2017, the annual food costs of 30 students enrolled at Darüüşşafaka during the academic year 2017-2018 are, again, covered by the Foundation.

The Foundation's efforts in the Health area in Turkey include the Healthy Living Workshops being carried out since 2014. For 4 years now, the project reaches out to thousands of children in primary school, trying to raise awareness about obesity, providing them tips on healthy living in the form of a fun theater play. The project implemented in all districts of Istanbul in cooperation with the Provincial Directorate of Education reached out to 37,000 students to date. The number of students reached out in 2017 alone is 14,702. In 2017, the scope of the project was expanded to cover the neighboring provinces in the Marmara region, beyond the borders of Istanbul.

In the Accident Prevention and Road Safety area, the “Bıdık ile Köpük Trafikte” theater play for the children, written in consideration of the traffic problems of Turkey, teaching traffic rules, was presented free at theaters. The play not only emphasizes the importance of observing the rules in traffic, but also aims to make children fond of theater. In 2017, the play was shown to approximately 10,000 children in major theater halls of Istanbul, as well as Ankara, Kayseri, Antalya and İzmir.

15. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

The company’s Board of Directors consists of five members.

Name	Title
Hüsametttin Kavi	Chairman of the Board
Alfredo Muñoz Pérez	Deputy Chairman of the Board and General Manager
Ali Güven Aykaç	Member of the Board of Directors
Nikolaos Antimisaris	Member of the Board of Directors
Süleyman Serdar Çaloğlu	Member of the Board of Directors

Apart from Mr. Süleyman Serdar Çaloğlu, Mr. Hüsametttin Kavi and Mr. Ali Güven Aykaç, the members are employed in MAPFRE GROUP companies.

16. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors determines the company’s policy and strategy, methods to follow to achieve these policies and strategies, the developments relating to these policies and strategies, the process to be followed in the supervision and evaluations. In this context, the Board of Directors reviews the degree to which the company meets its target, and its operations and past performance, in a continuous and effective way and takes measures where necessary. The Board of Directors observes the compliance of the company’s operations with the legislation, Articles of Association, internal regulations and the established policies.

According to the Articles of Association, the Company’s Board of Directors consists of at least five (5) and at most seven (7) people, including the General Manager. The General Manager is the ordinary member of the Board of Directors. According to Article 25 of the company’s Articles of Association, the Board of Directors convenes whenever necessary to fulfill its duties and manage its business in line with the provisions of the Turkish Commercial Code No. 6102, other relevant legislation and the Articles of Association. The members of the Board of Directors are to be appointed for a term of three (3) years.

It is essential that Board members perform their duties prudently and in good faith, and it is mandatory, due to legal legislation, that the majority of the Board members have received at least four (4) years of higher education and are selected from among people who have at least three (3) years of experience in the fields of insurance, economics, business, accounting, law, finance, mathematics, statistics, actuarial or engineering. All of the members have these qualities.

17. NUMBER, STRUCTURE AND INDEPENDENCE OF THE COMMITTEES ESTABLISHED IN THE BOARD OF DIRECTORS

The Investment Strategy Committee, Risk Management Committee, Corporate Governance Committee and the Executive Committee have been established under the Board of Directors. The Risk Management Committee and the Corporate Governance Committee were established in 2013 by the Board of Directors, and although the Investment Strategy Committee was established in 2010 as the Investment Committee, it underwent a name change in 2013. The Executive Committee was established in 2015 by the Board of Directors.

18. RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE MECHANISM

The Company's risk management, internal control and compliance functions are executed under the administration of the General Manager in accordance with the Regulation on the Internal Systems of the Insurance & Reinsurance and Pension Companies of the Undersecretariat of Treasury so that the ultimate responsibility belongs to the Board of Directors. The board member responsible for the internal systems, the risk manager, the internal control responsible and head of the compliance function have already been assigned by the Board of Directors. The functions for the internal systems continue to function in accordance with the written policies approved by the Board of Directors, in particular the Risk Management Policy, Compliance Policy and Internal Control Policy. These policies also establish the principles, operating processes and separation of duties of risk management, internal control and compliance functions, as well as the duties and responsibilities of the departments and individuals managing such functions. Furthermore, the Risk Management Committee composed of the CEO, Deputy General Manager responsible for Financial Affairs and Risk Officer responsible for overseeing the risk assumption by the company, as well as the Investment Strategy Committee responsible for following-up the investment portfolio and approving the investment risk limits, operates in this context.

The internal systems, which are structured based on the principle of triple line of defense, are a series of processes designed in order to ensure the continuation of activities carried out in order for our company to achieve its objectives in an efficient and effective manner, reliability of the financial information and compliance with the external and internal rules and which belongs to all the employees. All process owners in the first line of defense assume the risks and controls together with the senior management in the light of the principles set forth in the relevant internal regulations and the Regulation on the Internal Systems of the Insurance & Reinsurance and Pension Companies. The Risk Management and Internal Control and Compliance functions located on the second line of defense are responsible for the supervision of the system, and the Internal Audit Service located on the third line of defense is responsible for its audit.

Under the risk management, the operational risks of the company are measured each year with an application called Risk Map and the action plans related to the areas found risky in the risk maps generated as a result of the assessment are implemented. The insurance risks, financial risks, and third party default risks are monitored periodically using certain models and their effects on capital adequacy are identified. In addition, the risks in the investment portfolio are analyzed, the risk limits arising from the investments are identified and compliance with these is monitored and reported on a daily basis. The results concerning risk-based capital adequacy, insurance, market and third party risks, and operational risks, as well as the critical risk indicators are reported to the senior management and the Board of Directors regularly, for consideration in the context of decision-making mechanisms.

Within the framework of the internal control function, all process owners track the activities they perform during the execution of their processes and the risks concerning these activities, along with the controls applicable, using a standard form, and also regularly test the checks they apply. Furthermore, the effectiveness of the activities implemented at our firm is assessed on an annual basis using control schemes. In line with the annual internal control plan, financial reporting, information systems, communication and compliance checks are applied; any control deficiencies observed are then tracked with reference to internal control findings, followed by required action.

A compliance function has been established to ensure and check compliance with the regulations and internal rules of the company in the operations of the company and a Compliance Policy establishing the purpose, scope, authorities and duties of the Company's compliance function is in place. In this context, the Compliance Function covers the tracking of compliance risks, the impact of the changes in regulations on the company, regular reporting required by government authorities, and compliance with MAPFRE Group's written policies, not to mention the correspondence with supervision organizations and government authorities. Furthermore, the state of the compliance function is reported to the Board of Directors on an annual basis. Furthermore, within the framework of combating the laundering of criminal proceeds and the financing of terror, a compliance officer is appointed by the Board of Directors. The Corporate Policy drawn up and updated in 2016 in line with the applicable regulations, as well as the written procedures published in line with the policy, is in place.

QUALITY MANAGEMENT SYSTEM

The ISO 9001:2008 Quality Management System, as per certification issued each year by international certification agencies, enabling the management of product and service quality and efficiency, and compliance with the customers' requirements at the highest level, is implemented at our company.

The firm's quality policy regards operating as a transparent and dynamic institution that works as a business partner with reinsurers and insurance brokers in line with the vision of becoming an insurance company known worldwide for its trustworthiness, which focuses on the needs and expectations of its customers, which is aware that quality is an outcome of systematic work, which considers quality service as an element of leadership, and which embraces continuous improvement in all stages of organization and insurance brokerage.

Within the framework of our quality policy and ISO 9001:2008 standard, the procedures, processes and the documents, job descriptions, objectives, reports and lists used in such processes are documented under the Quality Management System, with a view to monitoring product and service quality and reliability.

19. STRATEGIC OBJECTIVES OF THE COMPANY

The mission of the company which has embraced the vision of becoming an insurance company known worldwide for its trustworthiness entails continuous progress in service and operating as a multinational team aiming to develop the best possible relationship with our customers, distribution channels, suppliers, shareholders and society.

Our company's values are capital strength, integrity, spirit of service, a team dedicated to innovation and leadership. Our company's vision, mission and values are publicly disclosed on the Company's website.

Our strategic objectives are established on an annual basis, through a balanced corporate scorecard methodology established on the basis of SWOT analysis, macro and micro analyses discussing global and Turkish conjectures, the nature of competition and economic climate, and with reference to the vision and mission of our company. The strategic objectives thus established are approved by the Board of Directors and the achievement status of such objectives is reviewed in the Strategic Analysis Meetings held on a quarterly basis, and submitted to the Board of Directors twice a year.

Our company embraces the principle of managing with objectives, which is covered by the Performance Management System as a tool of management and personal development to ensure the compliance of all employees with strategic objectives and to contribute to their professional development.

20. FINANCIAL BENEFITS

The policy on the remuneration to be given to the Board members, senior management and other personnel was approved by the decision of the Board of Directors.

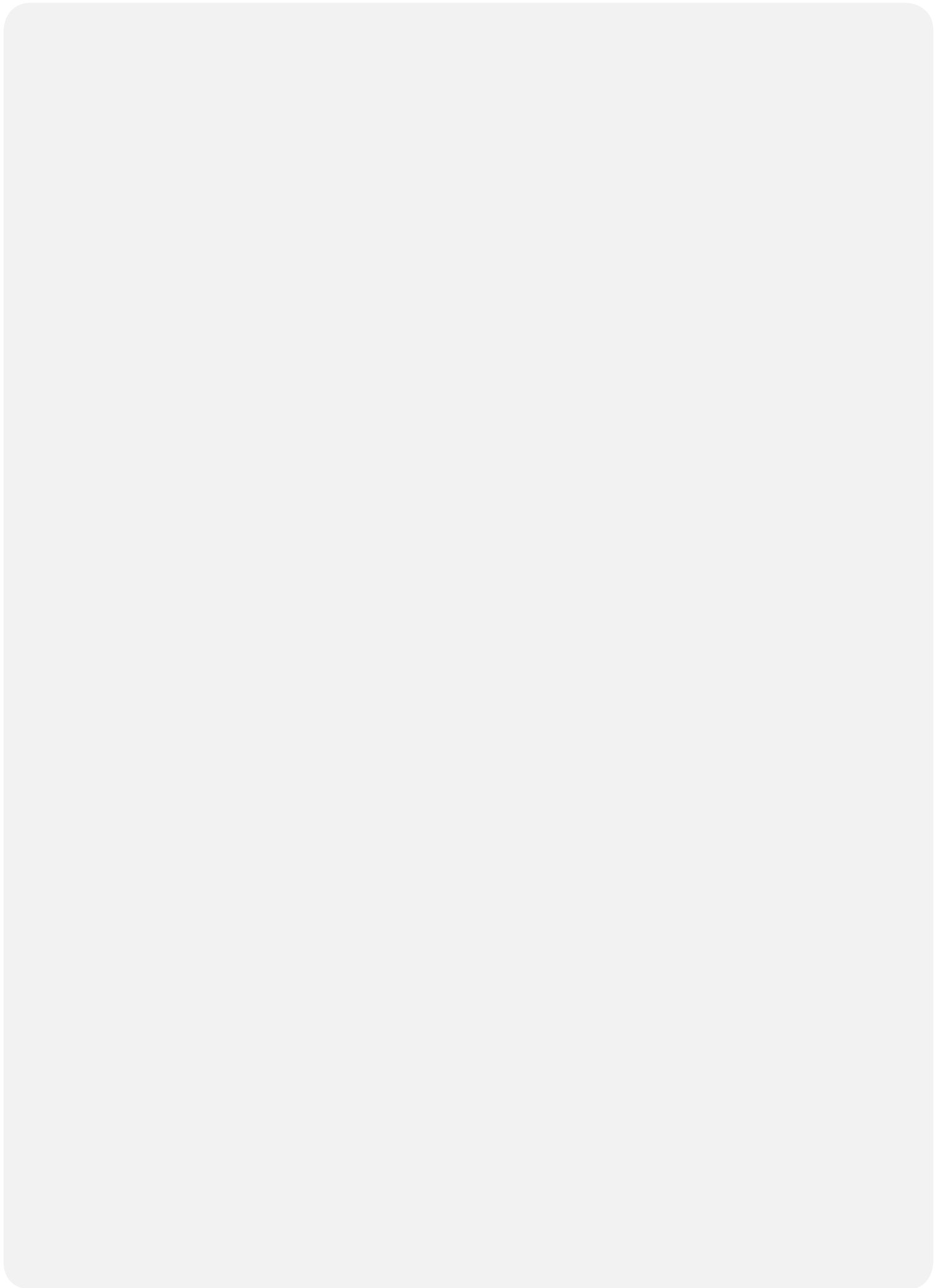
The purpose of the compensation policy is to determine the appropriate compensation levels for each task/job and the performance displayed here and to function as a source of satisfaction and motivation that facilitates reaching the goals and compliance with the corporate strategy for the staff.

The Compensation Policy encourages effective risk management by avoiding the risks in excess of tolerance limits as well as conflicts of interest.

MAPFRE Sigorta A.Ş. Compensation Policy;

- Task/job oriented and includes measures to eliminate all types of conflicts of interest that may arise.
- Takes the merit, technical equipment, professional skills and performance into account.
- Guarantees equality without discriminating against gender, race or ideology.
- Is transparent since it is presented to all parties affected.
- Is flexible in structural terms and therefore it can be adapted to the different groups and market conditions.
- We make every attempt to satisfy our staff members in the best way and within the framework of the existing possibilities in terms of wages and social rights.
- The balances within the company, sectoral and general wage policy reports and the MAPFRE Group wage policies and principles are taken into account in the regulation of wages.

The remuneration to be paid to the Board members is at the discretion of the General Assembly.



 **MAPFRE** Sigorta

FINANCIAL SITUATION

 **MAPFRE** Sigorta

Financial Situation and Results of Operations

Our Company's results on the commercial operations for 2017 are presented below for your consideration.

The total premium production figure of our firm is TRY 2,682,017,675.

Broken down by branches, a fall of 15.03% was observed in the auto accident branch which accounts for 56.02% of the total premium production, while the medical branch accounting for 17.82% of the total premium production registered a premium increase of 10.65%.

Our company closed 2017 with a technical profit figure of TRY 185,736,330 (1). The highest profit was obtained in the motor branch.

The administrative expenses incurred for our operations amounted to TRY 172,046,687 (2). General expenses, income and profits and expenses and losses from other operations and extraordinary operations amounted to TRY 298,749,835, above the previous year's level.

The investment income was TRY 273,515,872, while investment expenses were TRY 230,908,422. The income transferred to the non-life technical section was TRY 190,212,536. Finally, the losses incurred due to extraordinary operations were TRY 25,233,963. The net financial results of our organization were TRY 63,263,077 (3), above the level registered in the previous year.

Our company's profit before tax for 2017 rose to TRY 248,999,408, and the profit after tax was TRY 186,497,248.

(1) The investment income transferred to the non-life technical section amounting to TRY 190,212,535.85 was deducted from the technical division balance indicated as TRY 231,625,920 in the financial statements dated December 31, 2017, and the sum amounting to TRY 172,046,686.88 calculated by deducting the net commission expense from operating expenses was added. Moreover, bad debts concerning accrued recourses, to the tune of TRY 27,723,740.49 were transferred to technical profits.

(2) Net commission expenses were deducted from the activity expenses set out in the financial statements dated December 31, 2017.

(3) The profit remaining after the technical profit amounting to TRY 185,736,330 is deducted off the profit for the period set out in the financial statements dated December 31, 2017 as TRY 248,999,408, was defined as financial profit, at a figure of TRY 63,263,077.

Summary Financial Information for the Five-Year Period Including the Reporting Period

MAPFRE SİGORTA A.Ş.

5 YEAR BALANCE SHEET ANCOME STATEMENT-TRY

Assets	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
I- Assets in Cash	1.415.979.998	1.570.324.952	1.035.542.462	574.173.361	524.266.693
II-Securities Portfolio	661.378.854	314.974.769	217.954.348	330.743.901	221.839.534
III- Receivables	1.050.846.307	997.921.435	858.632.493	789.360.785	719.353.485
IV- Receivables Under Administrative and Legal Proceedings					
V-Affiliates	23.602.699	23.476.613	23.477.455	23.467.886	43.281.691
VI-Fixed Assets	217.460.521	206.130.554	179.883.831	33.354.061	27.585.230
VII-Other Assets (Net)	25.507.317	4.859.126	17.990.294	9.242.877	11.070.607
Total Assets	3.394.775.696	3.117.687.449	2.333.480.882	1.760.342.871	1.547.397.241
Liabilities					
I-Payables	438.294.909	422.448.308	327.352.455	249.584.247	204.631.167
II- Provisions	1.998.464.406	1.899.798.224	1.379.057.144	898.000.593	779.354.763
III- Other Liabilities	63.981.915	48.361.226	40.400.543	31.234.168	27.767.427
IV- Equities (1)	637.472.993	577.379.964	545.863.698	525.535.436	449.184.653
V- Profit (1)	256.541.473	169.699.727	40.807.043	55.988.427	86.459.230
Total Liabilities	3.394.755.696	3.117.687.449	2.333.480.882	1.760.342.871	1.547.397.241
Income Statement					
I-Technical Income (2)	2.177.532.262	2.051.201.589	1.299.039.204	1.103.446.803	902.277.842
II- Technical Expenses (3)	1.971.083.320	1.862.484.549	1.229.747.295	1.005.266.803	841.044.517
III- Technical Profit/Loss (I - III)	206.448.942	188.717.040	69.291.910	98.180.000	61.233.325
IV- General Expenses (4)	165.035.558	133.012.596	96.604.140	86.942.063	81.948.688
V- Financial Income	273.788.872	186.691.540	124.244.100	82.380.328	148.552.426
VI- Financial Expenses (5)	66.202.848	92.595.295	52.182.453	34.097.132	34.195.432
VII- Inflation Loss					
VIII- Profit/Loss for the Period (III-IV+V-VI-VII)	248.999.408	149.800.689	44.749.417	59.521.133	93.641.631
IX- Provisions for Taxation on Profit for the Period and Other Legal Liabilities (-)	62.502.160	27.199.733	11.932.546	11.522.879	15.172.572
X- Net Profit/Loss for the Period (VIII-IX)	186.497.248	122.600.956	32.816.871	47.998.255	78.469.059

(1) The aforementioned shareholders' equity figures do not include the profits and losses for the previous year, which are included in the profit set out in V.

(2) The investment income transferred from the non-life non-technical department specified in the financial statements dated December 31, 2017 are indicated after being deducted.

(3) The amounts specified as non-life technical expenses in the financial statements dated December 31, 2017 are divided into technical expenses and general expenses in the table above.

(4) Net commission expenses were deducted from the activity expenses set out in the financial statements dated December 31, 2017.

(5) The investment income transferred to the Non-Life Technical Department was deducted from the investment income set out in the financial statements dated December 31, 2017 and income and profit and expenses and losses from other operations and extra operations were taken into account.

The Determination and the Governing Body's Assessment on whether the Company's Capital is Unreciprocated and whether it is in Debt

Information Relating to the Financial Structure

The objective of the Regulation on the Measurement and Evaluation of the Capital Adequacies of Insurance & Reinsurance and Pension Companies is to ensure that insurance companies keep a sufficient amount of equity against damages that may arise due to existing obligations and potential risks. According to Article 17 of Insurance Law No. 5684 entitled "Collaterals", non-life insurance companies will provide the minimum guarantee fund as collateral so as not to be less than one-third of the capital adequacy. Minimum guarantee fund may never be less than one third of the minimum capital amounts required for the related branches for a given term.

According to the results of the capital adequacy statements measuring the amount of the required equity capital for the company, the Company's capital adequacy dated 31.12.2017 was calculated as TRY 170,462,550.

Assessment on the Financial Situation, Profitability and Compensation Solvency

The ratios used in the supervision of the insurance sectors and which have international validity are presented in the attached table. These ratios, which also confirm the financial structure of MAPFRE Sigorta, are well above the average of our insurance sector and world standards.

The ratio of the equities of compensating for the net claims is 55% and of compensating for the net paid damage is 64%. The ratios of compensating for damage by liquid assets are 127% and 148%, respectively.

Dividend Distribution Policy

The Company takes its profits for the period to the General Assembly upon the recommendation of the Board of Directors and the profit distribution is made according to the decision taken by the General Assembly. The Company will discuss the recommendation of the Board of Directors related to the profit for year 2017 at the Ordinary General Assembly meeting to be held on March 30, 2018.

Our Ratios

A- CAPITAL ADEQUACY RATIOS

	%
1- Equity / Received Premiums (Gross)	33
2- Equity / Received Premiums (Net)	45
3- Equity / Total Assets	26
4- Equity / Technical Provisions	45
5- Foreign Resources / Total Assets	74

B- ASSET QUALITY AND LIQUIDITY RATIOS

	%
1- Liquid Assets / Total Assets	61
2- Liquidity Ratio	85
3- Current Ratio	129
4- Premium and Reinsurance Receivables / Total Assets	23
5- Agency Receivables / Equity	74
6- Collection Ratio	78

C- ACTIVITY RATIOS

	%
1- Conservation Ratio	74
2- Compensation Payment Ratio	53
3- Compensation Share Ratio	92
4- Premium Increase Ratio	-4

D- PROFITABILITY RATIOS

	%
1- Claim / Premium Ratio (Gross)	74
2- Claim Premium Ratio (Net)	71
3- Expense Ratio	22
4- Combined Ratio	94

THE RISKS AND ASSESSMENT OF THE GOVERNING BODY

 **MAPFRE** Sigorta

Information on the Operations Carried out with the Risk Group in which the Company is Included

MAPFRE Sigorta acts in accordance the conditions and rules of application which are applicable to third parties in its relationships with the companies in the risk group in which it is included. On September 20, 2007, MAPFRE Genel Sigorta joined the MAPFRE Group with its majority stake.

Since the reinsurance protections of all insurance companies owned by MAPFRE are subject to 100% MAPFRE RE placements, as of 01.01.2008, the reinsurance protections of MAPFRE Sigorta on the basis of treaty are also got off to MAPFRE RE. MAPFRE RE is a reinsurance company that operates in Spain/Madrid as an affiliate of MAPFRE S.A group, which was graded as "A" by A.M BEST.

Information Relating to the Risk Management Policies Implemented by Risk Type

Our company's risk management policies and activities are conducted as specified in the following main headings.

1) On the Basis of Risk/Guarantee:

Our company creates the risk acceptance policies based on the damage suffered in the past as a result of a long period and its other experiences. These are also periodically reviewed in the light of the internationally recognized general statistics and criteria. And our company's reinsurance contracts create the basis of our risk acceptance criteria which are identified annually.

From the point of view that reinsurance protection is one of the most important factors in continuing the presence of the company; the identified risks are analyzed by the risk engineers, and other methods, and assessed. Risk Acceptance Criteria are communicated in writing to all company officials and distribution channels and their application is also followed carefully in a systematic manner.

2) On the Basis of Catastrophic Risk:

The catastrophic scenario of the Company has been created taking into account the risk of earthquakes since Turkey is located on active seismic fault lines. Therefore, in our Company, the risk of earthquake is followed-up on the basis of the earthquake zone, as well as being followed up in the entire insurance industry of Turkey. The earthquake risk in Istanbul and the surrounding area is closely followed up, since it is the earthquake zone with the highest risk; and this risk is kept under control with periodic reports on the subject. These considerations are also shared with our reinsurers.

According to our obligations related to the total number of earthquakes (earthquake cumulations), with MAPFRE Re reinsurance company, and other international reinsurance companies with which we cooperate in connection with earthquakes, the limits of the necessary reinsurance protection programs are identified on the advice of brokers and the protections are purchased accordingly. The purchased protection limits can be revised according to the growth rates and economic changes of the company's earthquake portfolio during the year.

While these programs cover other natural disasters as well as the risk of earthquake, the consequences of catastrophic risks other than natural disasters where multiple risk issues may be affected are also included in the coverage.

3) Determination of Our Retentions:

The retention amounts related to each branch/product in our company are determined separately. While this is carried out, the related risk profiles, damage frequencies, dimensions, average damage amounts and loss-premium ratios, and, if any, reinsurance needs and circumstances are analyzed, and the company's equity capital for the determined retention amounts is also determined in accordance with the relevant legislation.

4) Reinsurance Policies:

Our company's reinsurance activities occur in different ways based on risk and annual treaty agreements. Although our need for Optional Reinsurance on the basis of risk (facultative reinsurance) is addressed with the companies with whom we have annual treaty agreements, our first choice of reinsurers are those companies whose financial structures are strong, based on need and expertise and the power of which is documented by their agreements.

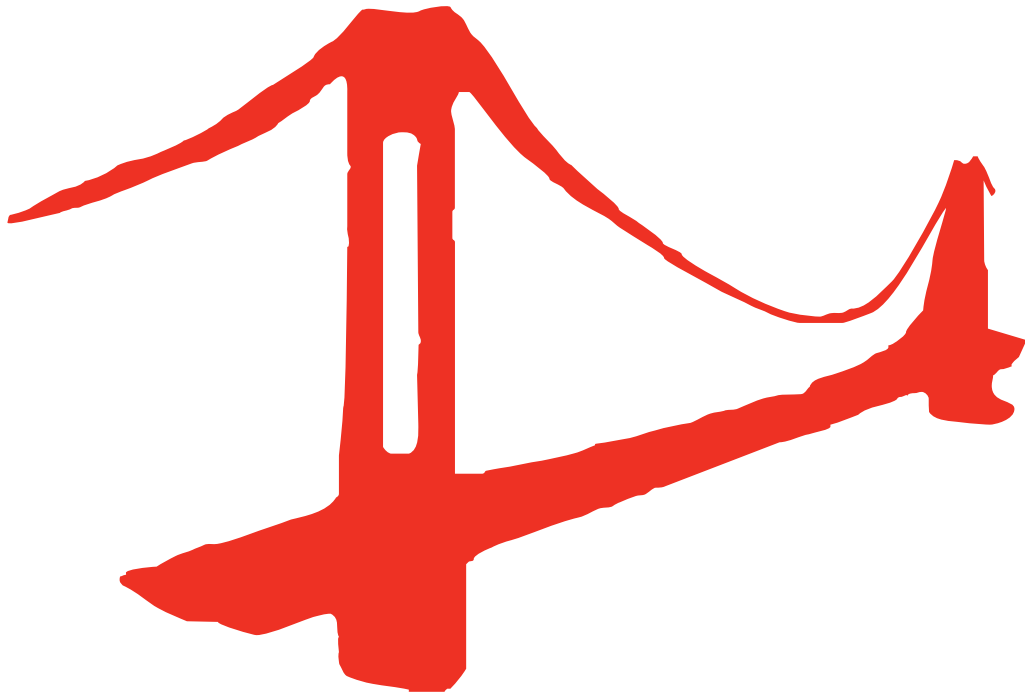
Our proportional or non-proportional annual reinsurance contracts have been made with MAPFRE Re since 2008, and the needs and reinsurance solutions of the company are solved mutually with this company.

OTHER CONSIDERATIONS

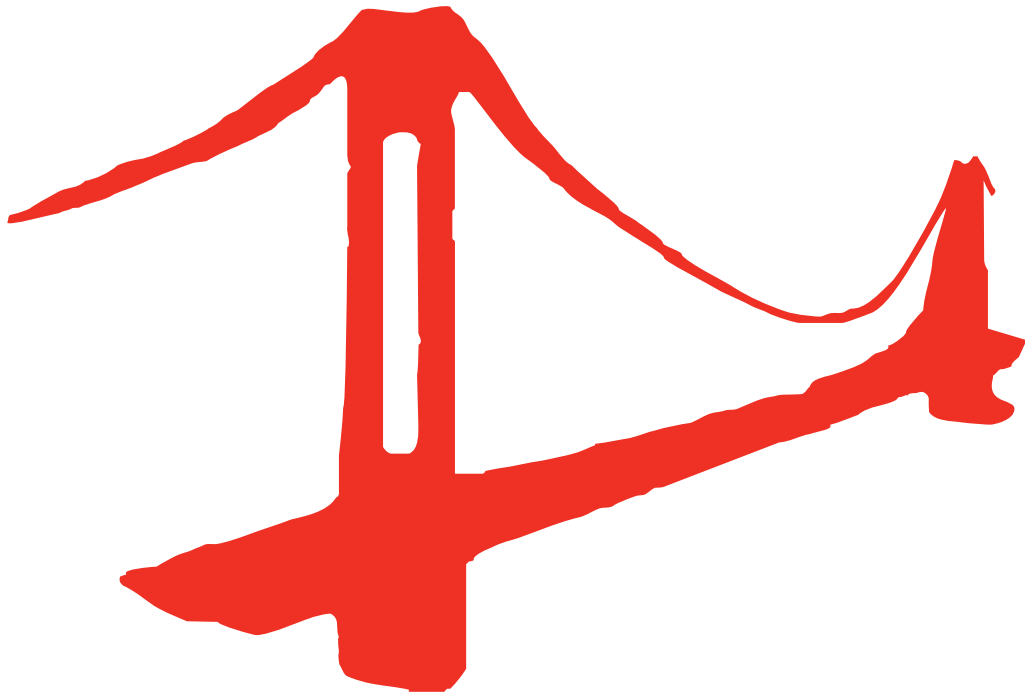
 **MAPFRE** Sigorta

Other Considerations

After the end of the year of operation, other than those specified in the content of this report, no incident occurred in the company of significant importance that will effect the rights of the partners, creditors or other interested persons and organizations.



FINANCIAL STATEMENTS AND FOOTNOTES



MAPFRE SİGORTA ANONİM ŞİRKETİ

Unconsolidated Financial Statements
and Independent Auditor's Report
for the Accounting Period Ending on
December 31, 2017

 **MAPFRE** Sigorta

Mapfre Sigorta Anonim Şirketi

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MAPFRE Sigorta Anonim Şirketi

A) Independent Audit of Financial Statements

Opinion

We have audited the unconsolidated balance sheet of MAPFRE Sigorta Anonim Şirketi (the "Company") dated December 31, 2017, the unconsolidated income statement belonging to the accounting period ending on the same date, the unconsolidated statement of changes in equity and the unconsolidated cash and attached financial statements consisting of the footnotes including the summary of important accounting policies.

In our opinion, the attached non-consolidated financial statements provide an accurate representation of the company's non-consolidated financial state as of December 31, 2017, and its non-consolidated financial performance for the accounting period ending on that date, along with its non-consolidated cash flows, in all their material aspects, as per the requirements of insurance regulations, and in compliance with the "Insurance Accounting and Financial Reporting Regulations" including the accounting and financial reporting regulations in effect, and the provisions of the Accounting Standards of Turkey on matters which are not regulated by the above-mentioned regulations.

Basis of the Opinion

The independent audit we have conducted has been carried out in accordance with the regulations on the independent auditing principles in force in accordance with the insurance legislation and the Independent Auditing Standards ("BDS") which are part of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). Our responsibilities under these standards are detailed in the report's section on Independent Auditor's Responsibilities regarding the Independent Audit of Financial Statements. We declare our independence from the Company, in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by KGK, and ethics provisions of the regulations concerning the independent auditing of financial statements. We have complied with the responsibilities concerning ethics, as provided in the Code of Ethics and regulations. We believe that the independent audit evidence we have collected during the independent audit provides sufficient and appropriate grounds for providing our opinion.

Management's and Senior Management's Responsibilities Regarding Financial Statements

The management of the Company is responsible for ensuring that financial statements are prepared in line with Insurance, Accounting and Financial Reporting Regulations, they are presented truthfully, and for conducting the internal control as required and ensuring that the financial statements are prepared free from significant errors resulting from mistakes or fraud.

In the context of preparing the financial statements, the management is responsible with evaluating the Company's ability to maintain its existence, where necessary disclosing issues concerning sustained existence, and acting on the basis of the principle of the continuity of the enterprise unless the intent or need to liquidate the company or discontinue the commercial operations arises.

The senior management is responsible with exercising oversight on the financial reporting process of the Company.

Independent Auditor's Responsibilities Regarding the Independent Audit of Financial Statements

In the context of an independent audit, we, the independent auditors are responsible with the following: Our aim is to secure reasonable assurance regarding the existence of material errors caused by errors or fraud, or lack thereof, in the financial statements as a whole, and to issue an independent auditor report stating our opinion. Reasonable assurance extended as a result of an independent audit carried out in compliance

with the regulations in effect concerning the independent audit principles as per the insurance regulations, and BDS which constitute a part of the Audit Standards of Turkey as published by KGK, represents a high level of assurance. However, it cannot guarantee that any material error will definitely be identified. Errors can be caused by mistakes or fraud. If the errors can reasonably be expected to have an influence, on their own or collectively, over the economic decisions the users of financial statements would take with reference to such financial statements, they would be deemed material errors.

As a requirement of an independent audit carried out in compliance with the regulations in effect concerning the independent audit principles as per the insurance regulations, and BDS which constitute a part of the Audit Standards of Turkey as published by KGK, we have been using our professional judgment through the independent audit, and we maintain our professional skepticism. We also;

- Identify and evaluate “material error” risks caused by errors and fraud in the financial statements; design and implement audit procedures to match these risks; and obtain sufficient and applicable audit evidence to serve as the basis of our opinion (As fraud can entail collusion, false pretenses, willful neglect, inaccurate statements, or violation of internal control procedures, the risk of failure to identify an error caused by fraud is higher than the risk of failure to identify an error caused by mistake).
- Internal control concerning audit is on the table with a view to designing audit procedures to meet the requirements of the case, rather than to provide an opinion on the effectiveness of internal control.
- The evaluation covers the acceptability of the accounting policies applied by the management, and if the accounting projections and justifications provided are reasonable or not.
- A conclusion is reached on the basis of the audit evidence gathered, about the potential existence of a significant uncertainty regarding the incidents or conditions which may lead to major doubt regarding the Company’s ability to maintain its existence, and the acceptability of the management’s exercise of the principle of the enterprise’s continuity. If we reach to the conclusion that a major uncertainty exists, our report should draw attention to the footnotes of the financial statements, or state a not-favorable opinion in case the footnotes are not satisfactory. The conclusions we reach are based on audit evidence we have gathered by the date of the independent auditor’s report. Yet, future events or developments may lead to the end of the Company’s existence.
- The general presentation, form and content of the financial statements, including the footnotes, as well as the representation of the operations and events which constitute the basis of these statements, in an accurate way, is taken into consideration.

We report the material findings of the audit, including but not limited to the significant internal control deficiencies observed during the audit, the planned scope and scheduling of the independent audit, to senior management.

B) Other Responsibilities as per the Regulations

1) In accordance with Turkish Commercial Code (“TCC”) article 402, paragraph four, no important issues were found in the bookkeeping arrangements and financial statements of the Company for the period between January 1 - December 31, 2017 regarding their noncompliance with the provisions of the TCC and the Articles of Association with regard to financial reporting.

2) In accordance with Article 402 of the Turkish Commercial Code, Paragraph 4, the Board of Directors made the necessary explanations within the scope of the audit and issued the requested documents.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Ali Tuğrul Uzun
Responsible Auditor
9 March, 2018
Istanbul, Turkey

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated balance sheet as of 31 December 2017 (Currency - Turkish Lira (TL))

ASSETS		Independent Audited	Independent Audited (Revised)(*)
	Footnote	December 31, 2017	December 31, 2016
I- Current Assets			
A- Cash and Cash Equivalents	2.12	1.415.979.998	1.570.324.952
1- Cash	2.12	8.552	6.384
2- Cheques Received		-	-
3- Banks	2.12	1.247.046.760	1.195.987.950
4- Cheques and Payment Orders Given (-)	2.12	-	-
5- Bank-Guaranteed Credit Card Receivables with a Maturity Shorter than Three Months	2.12	168.924.686	374.330.618
6- Other Cash and Cash Equivalents	2.12	-	-
B- Financial Assets and Financial Investments whose Risks Belong to Policy Holders	11	661.378.854	314.974.769
1- Financial Assets Available for Sale	11	661.378.854	314.974.769
2- Financial Assets to be Retained until Maturity		-	-
3- Financial Assets with Purchase and Sale Purpose		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Investments whose Risks Belong to Life Policy Holders		-	-
7- Company Share		-	-
8- Provision for Financial Assets Impairment (-)		-	-
C- Receivables from Main Activities	12	784.842.201	789.597.280
1- Receivables from Insurance Activities	12	760.144.165	786.938.307
2- Provisions for the Receivables from Insurance Activities (-)	12	(2.748.905)	(3.245.592)
3- Receivables from Reinsurance Activities	12	27.385.202	5.845.243
4- Provisions from the Receivables from Reinsurance Activities (-)		-	-
5- Deposits at Insurance and Reinsurance Companies	12	61.739	59.322
6- Loans to Policy Holders (Advance Loans)		-	-
7- Provisions for the Loans to Policy Holders (Advance Loans) (-)		-	-
8- Receivables from Retirement Activities		-	-
9- Doubtful Receivables from Real Operations	12	163.346.391	139.962.529
10- Provisions for the Doubtful Receivables from Real Operations (-)	12	(163.346.391)	(139.962.529)
D- Receivables from Related Parties	12	62.620.345	1.050.158
1- Receivables from Partners		60.785.342	-
2- Receivables from Affiliates		-	-
3- Receivables from Subsidiaries		-	-
4- Receivables from Enterprises Subject to Joint Management		-	-
5- Receivables from Staff		173.615	96.933
6- Receivables from Other Related Parties	12	1.661.388	953.225
7- Rediscount for the Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		17.435.277	13.106.897
1- Financial Leasing Receivables		-	-
2- Unearned Financial Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	47.1	18.211.267	14.371.825
5- Rediscount from Other Miscellaneous Receivables (-)		(775.990)	(1.264.928)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Short-Term Prepaid Expenses and Accrued Income		154.416.219	175.498.072
1- Deferred Production Expenses	47.1	144.258.433	166.342.435
2- Accrued Income and Leasing Income		-	-
3- Accrued Income		-	-
4- Other Prepaid Expenses for Next Months	47.1	10.157.786	9.155.637
G- Other Current Assets		31.257.070	18.421.919
1- Long-Term Inventories		670.783	693.278
2- Prepaid Taxes and Funds	35	28.780.143	16.375.468
3- Deferred Tax Assets	21	-	-
4- Work Advances		336.288	30.483
5- Advances Given to Personnel		1.469.856	1.322.690
6- Count and Delivery Shortages		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		3.127.929.964	2.882.974.047

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated balance sheet as of 31 December 2017 (Currency - Turkish Lira (TL))

ASSETS (cont'd)	Footnote	Independent Audited December 31, 2017	Independent Audited (Revised)(*) December 31, 2016
II- Non-Current Assets			
A- Receivables from Main Activities			
1- Receivables from Insurance Activities		-	-
2- Provisions for the Receivables from Insurance Activities (-)		-	-
3- Receivables from Reinsurance Activities		-	-
4- Provisions from the Receivables from Reinsurance Activities (-)		-	-
5- Deposits at Insurance and Reinsurance Companies		-	-
6- Loans to Policy Holders (Advance Loans)		-	-
7- Provisions for the Loans to Policy Holders (Advance Loans) (-)		-	-
8- Receivables from Retirement Activities		-	-
9- Doubtful Receivables from Real Operations		-	-
10- Provisions for the Doubtful Receivables from Real Operations (-)		-	-
B- Receivables from the Related Parties			
1- Receivables from Partners		-	-
2- Receivables from Affiliates		-	-
3- Receivables from Subsidiaries		-	-
4- Receivables from Enterprises Subject to Joint Management		-	-
5- Receivables from Staff		-	-
6- Receivables from Other Related Parties		-	-
7- Rediscount for the Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
		275.196	247.109
C- Other Receivables			
1- Financial Leasing Receivables		-	-
2- Unearned Financial Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		275.196	247.109
4- Other Miscellaneous Receivables		-	-
5- Rediscount from Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
		23.602.699	23.476.613
D- Financial Assets			
1- Long-Term Securities	9	11.193	11.193
2- Affiliates	9	346.975	220.889
3- Affiliates' Capital Undertakings (-)	9	-	-
4- Subsidiaries	9	23.244.531	23.244.531
5- Subsidiaries' Capital Undertakings (-)		-	-
6- Enterprises Subject to Joint Management		-	-
7- Capital Undertakings of Enterprises Subject to Joint Management (-)		-	-
8- Financial Assets and Financial Investments whose Risks Belong to Policy Holders		-	-
9- Other Financial Assets		-	-
10- Provision for Financial Assets Impairment (-)		-	-
		196.137.483	193.771.283
E- Tangible Assets			
1- Investment Properties	7	1.277.604	243.036
2- Provision for Impairment of Investment Properties (-)	7	-	-
3- Real Estates for Use	6	182.054.369	19.575.808
4- Machinery and Equipment		-	-
5- Fixtures and Installments	6	21.067.066	22.095.049
6- Motor Vehicles	6	2.196.701	2.944.754
7- Other Tangible Assets (Including Special Cost Prices)	6	4.947.930	4.464.784
8- Tangible Assets Acquired via Leasing		-	-
9- Accumulated Depreciation (-)	6, 7	(17.287.676)	(22.566.201)
10- Advances Regarding Tangible Assets (Including ongoing Investments)	6	1.881.489	167.014.053
		21.323.038	12.359.271
F- Intangible Assets			
1- Rights	8	24.796.373	14.237.080
2- Goodwill		-	-
3- Expenses Regarding the Pre-Activity Period		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Reimbursement (Depreciation) (-)	8	(8.623.949)	(6.691.520)
7- Advances Regarding Intangible Assets	8	5.150.614	4.813.711
		952.996	542.403
G- Prepaid Expenses and Accrued Income for Future Years			
1- Deferred Production Expenses		-	-
2- Accrued Income		-	-
3- Other Prepaid Expenses for Future Years	47.1	952.996	542.403
		24.554.320	4.316.723
H- Other Non-Current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Forex Accounts		-	-
3- Long-Term Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	24.554.320	4.316.723
6- Other Miscellaneous Non-Current Assets		-	-
7- Other Non-Current Assets' Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
		266.845.732	234.713.402
II- Total Non-Current Assets		3.394.775.696	3.117.687.449
Total Assets (I + II)			

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated balance sheet as of 31 December 2017 (Currency - Turkish Lira (TL))

LIABILITIES		Independent Audited	Independent Audited (Revised)*
	Footnote	December 31, 2017	December 31, 2016
III- Short-Term Liabilities			
A- Financial Payables	20	-	-
1- Payables to Loan Organizations		-	-
2- Financial Leasing Payables		-	-
3- Deferred Financial Leasing Payable Costs (-)		-	-
4- Capital Installments and Interests of Long-Term Loans		-	-
5- Capitals, Installments and Interest for Issued Bonds (Bills)		-	-
6- Other Financial Assets Issued		-	-
7- Premiums on Other Financial Assets Issued (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables for Main Activities	19	277.505.265	259.696.184
1- Payables for Insurance Activities	2.27, 19	148.628.445	129.738.171
2- Payables to Reinsurance Activities	19	128.521.048	129.602.470
3- Deposits Taken from the Insurance and Reinsurance Companies	19	355.772	355.543
4- Payables for Retirement Activities		-	-
5- Payables for Other Main Activities		-	-
6- Payables for Other Main Activities Rediscount on Notes Payable (-)		-	-
C- Payables to Related Parties		165.102	2.352.367
1- Payables to Shareholders	12.2	107.489	82.942
2- Payables to Affiliates		-	-
3- Payables to Subsidiaries		-	-
4- Payables to Enterprises Subject to Joint Management		-	-
5- Payables to Personnel		25.314	5.488
6- Payables to Other Related Parties	12	32.299	2.263.937
D- Other Payables		117.011.593	109.704.190
1- Deposits and Guarantees Taken		9.985.581	7.191.423
2- Payables to SSI Regarding Treatment Expenses		25.601.604	45.063.103
3- Other Miscellaneous Payables	47.1	82.886.984	58.310.431
4- Rediscount on Other Miscellaneous Payables (-)		(1.462.576)	(860.767)
E- Technical Provisions for Insurance		1.912.552.740	1.836.294.900
1- Provisions for Unearned Premiums - Net	17.15	962.667.742	1.126.788.615
2- Reserve for On-going Risks - Net	17.15	864.563	132.502
3- Mathematical Provisions - Net		-	-
4- Provisions for Outstanding Compensations - Net	17.15	929.109.852	694.793.651
5- Provisions for Bonuses and Discounts - Net	17.15	19.910.583	14.580.132
6- Other Technical Provisions - Net		-	-
F- Taxes Payable and Other Similar Liabilities and Provisions		43.612.948	50.695.567
1- Taxes and Funds Payable		22.645.006	20.463.587
2- Social Security Withholdings Payable		1.872.655	1.417.352
3- Matured or Delayed Tax, or Tax by Installments, and Other Liabilities		-	-
4- Other Taxes and Similar Liabilities Payable		19.095.287	28.814.628
5- Provision for Taxation on Profit for the Period and Other Legal Liabilities	35	62.502.160	27.199.733
6- Prepaid Tax and Other Liabilities on the Profit for the Period (-)	35	(62.502.160)	(27.199.733)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions Regarding Other Risks		19.246.706	11.276.677
1- Provisions for Severance Pay		-	-
2- Provisions for Social Support Fund Asset Deficits		-	-
3- Provisions for Cost Expenses	23.2	19.246.706	11.276.677
H- Income and Accrued Expenses for Future Months	19	55.879.747	41.820.041
1- Deferred Commission Income	19	55.879.747	41.820.041
2- Accrued Expenses		-	-
3- Other Income for Future Months		-	-
I- Other Short-Term Liabilities		2.986.442	2.233.237
1- Deferred Tax Liability		-	-
2- Count and Delivery Surpluses		-	-
3- Other Miscellaneous Short-Term Liabilities		2.986.442	2.233.237
III- Total Short-Term Liabilities		2.428.960.543	2.314.073.163

(* See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated balance
sheet as of 31 December 2017
(Currency - Turkish Lira (TL))

LIABILITIES (cont'd)	Footnote	Independent Audited December 31, 2017	Independent Audited (Revised)(*) December 31, 2016
IV- Long-Term Liabilities			
A- Financial Payables			
1- Payables to Loan Organizations		-	-
2- Financial Leasing Payables		-	-
3- Deferred Financial Leasing Payable Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Premiums on Other Financial Assets Issued (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables for Main Activities			
1- Payables for Insurance Activities		-	-
2- Payables to Reinsurance Activities		-	-
3- Deposits Taken from the Insurance and Reinsurance Companies		-	-
4- Payables for Retirement Activities		-	-
5- Payables for Other Main Activities		-	-
6- Payables for Other Main Activities Rediscount on Notes Payable (-)		-	-
C- Payables to Related Parties			
1- Payables to Shareholders		-	-
2- Payables to Affiliates		-	-
3- Payables to Subsidiaries		-	-
4- Payables to Enterprises Subject to Joint Management		-	-
5- Payables to Personnel		-	-
6- Payables to Other Related Parties		-	-
D- Other Payables			
1- Deposits and Guarantees Taken		-	-
2- Payables to SSI Regarding Treatment Expenses		-	-
3- Other Miscellaneous Payables		-	-
4- Rediscount on Other Miscellaneous Payables		-	-
E- Technical Provisions for Insurance			
1- Provisions for Unearned Premiums - Net		55.797.524	43.125.511
2- Reserve for On-going Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provisions for Outstanding Compensations - Net		-	-
5- Provisions for Bonuses and Discounts - Net		-	-
6- Other Technical Provisions - Net	17,15, 47,1	55.797.524	43.125.511
F- Other Liabilities and Provisions			
1- Other Liabilities Payable		-	-
2- Matured or Delayed Tax, or Tax by Installments, and Other Liabilities		-	-
3- Provisions for Other Payables and Expenses		-	-
G- Provisions Regarding Other Risks			
1- Provisions for Severance Pay	22	10.867.436	9.101.136
2- Provisions for Social Support Fund Asset Deficits	22, 23	8.606.544	6.811.091
		2.260.892	2.290.045
H- Income and Accrued Expenses for Future Years			
1- Deferred Commission Income		-	-
2- Accrued Expenses		-	-
3- Other Income for Future Years		-	-
I- Other Long-Term Liabilities			
1- Deferred Tax Liability		5.135.726	4.307.948
2- Other Miscellaneous Long-Term Liabilities	22, 47,5	-	-
		5.135.726	4.307.948
IV- Total Long-Term Liabilities		71.800.686	56.534.595

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated balance sheet as of 31 December 2017 (Currency - Turkish Lira (TL))

EQUITY		Independent Audited	Independent Audited (Revised)(*)
	Footnote	December 31, 2017	December 31, 2016
V- Equity			
A. Paid-in Capital			
1- (Nominal) Capital	2.13, 15	350.000.000	350.000.000
2- Unpaid Capital (-)		-	-
3- Positive Distinction from Share Capital Adjustment		-	-
4- Negative Distinction from Share Capital Adjustment (-)		-	-
5- Registered Expected Capital		-	-
B- Capital Reserves			
1- Share Issue Premiums		-	-
2- Share Premiums of Cancelled Shares		-	-
3- Sale Profits to be Added to Capital		-	-
4- Foreign Currency Conversion Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves			
		287.472.993	227.379.964
1- Legal Reserves	15	73.648.581	68.679.287
2- Status Reserves		-	-
3- Extra Reserves		151.748.139	99.012.127
4- Special Funds (Reserves)	15	45.842.921	46.344.211
5- Financial Asset Valuation	15	(8.876.636)	(1.827.057)
6- Other Profit Reserves	15	25.109.988	15.171.396
D- Previous Years' Profits			
1- Previous Years' Profits		70.044.226	47.098.771
E- Losses from Previous Years (-)			
1- Losses from Previous Years		-	-
F- Net Profit for the Period			
1- Net Profit for the Period		181.974.427	122.331.324
2- Net Loss for the Period (-)		-	-
3- Non-Distributable Profit for the Period	15	4.522.821	269.632
Total Equity		894.014.467	747.079.691
Total Liabilities (III + IV + V)		3.394.775.696	3.117.687.449

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

**Detailed unconsolidated income statement
for the accounting period ending on December 31, 2017
(Currency - Turkish Lira (TL))**

I- TECHNICAL DEPARTMENT		Independent Audited	Independent Audited (Revised)(*)
	Footnote	1 January- December 31, 2017	1 January- December 31, 2016
A- Non-Life Technical Income		2.367.744.797	2.173.200.158
1- Earned Premiums (Reinsurer Shares Deducted)		2.152.341.151	2.010.098.784
1.1- Written Premiums (Reinsurer Shares Deducted)	24	1.988.952.339	2.219.671.024
1.1.1- Gross Written Premiums (+)	24	2.682.017.675	2.795.018.645
1.1.2- Premiums Transferred to Reinsurer (-)	10, 24	(586.282.347)	(427.443.216)
1.1.3- Premiums Transferred to SSI (-)		(106.782.989)	(147.904.405)
1.2- Changes in the Provisions for Unearned Premiums (Reinsurer Share and Transferred Portion Deducted) (+/-)	47	164.120.873	(209.439.738)
1.2.1- Provisions for Unearned Premiums (-)		107.607.864	(261.654.674)
1.2.2- Reinsurer Shares in Provisions for Unearned Premiums (+)	10	84.158.289	34.866.341
1.2.3- SSI Shares in Provisions for Unearned Premiums (+/-)		(27.645.280)	17.348.595
1.3 - Changes in the Reserve for On-going Risks (Reinsurer Share and Transferred Portion Deducted) (+/-)	17	(732.061)	(132.502)
1.3.1- Reserve for On-going Risks (-)	17	(767.593)	(753.762)
1.3.2- Reinsurer Shares in Reserve for On-going Risks (+)	10, 17	35.532	621.260
2- Investment Income Transferred from Non-Technical Department		190.212.536	121.998.569
3- Other Technical Income (Reinsurer Shares Deducted)		2.085.199	2.608.815
3.1- Other Gross Technical Income (+/-)		2.085.199	2.608.815
3.2- Reinsurer Shares in Other Gross Technical Income (+/-)		-	-
4- Accrued Recourse and Salvage Income (+)		23.105.911	38.493.990
B- Non-Life Technical Expenses (-)		(2.136.118.877)	(1.995.497.145)
1- Realized Compensations (Reinsurer Shares Deducted) (+/-)		(1.634.406.991)	(1.523.614.708)
1.1- Paid Compensations (Reinsurer Shares Deducted) (+/-)	17	(1.400.090.790)	(1.184.835.279)
1.1.1- Gross Paid Compensations (-)	17	(1.521.693.329)	(1.277.509.852)
1.1.2- Reinsurer Shares in Paid Compensations (+)	10, 17	121.602.539	92.674.573
1.2- Changes in the Provisions for Outstanding Compensations (Reinsurer Share and Transferred Portion Deducted) (+/-)	47	(234.316.201)	(338.779.429)
1.2.1- Provisions for Outstanding Compensations (-)		(555.141.044)	(360.484.519)
1.2.2- Reinsurer Shares in Provisions for Outstanding Compensations (+)	10	320.824.843	21.705.090
2- Changes in the Provisions for Bonuses and Discounts (Reinsurer Share and Transferred Portion Deducted) (+/-)	17	(46.372.364)	(41.904.058)
2.1- Provisions for Bonuses and Discounts (-)	17	(46.372.364)	(41.904.058)
2.2- Reinsurer Shares in Provisions for Bonuses and Discounts (-)		-	-
3- Changes in the Other Technical Provisions (Reinsurer Share and Transferred Portion Deducted) (+/-)	17, 47	(12.672.013)	(10.000.715)
4- Operating Expenses (-)	31	(418.807.064)	(398.197.647)
5- Changes in the Mathematical Provisions (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
5.1- Mathematical Provisions (-)		-	-
5.2- Reinsurer Shares in Mathematical Provisions (+)		-	-
6- Other Technical Expenses (-)		(23.860.445)	(21.780.017)
6.1- Other Gross Technical Expenses (-)	47, 5	(23.860.445)	(21.780.017)
6.2- Reinsurer Shares in Other Gross Technical Expenses (+)		-	-
C- Technical Department Balance - Non-Life (A - B)		231.625.920	177.703.013
D- Life Technical Income		-	-
1- Earned Premiums (Reinsurer Shares Deducted)		-	-
1.1- Written Premiums (Reinsurer Shares Deducted)		-	-
1.1.1- Gross Written Premiums (+)		-	-
1.1.2- Premiums Transferred to Reinsurer (-)		-	-
1.2- Changes in the Provisions for Unearned Premiums (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
1.2.1- Provisions for Unearned Premiums (-)		-	-
1.2.2- Reinsurer Shares in Provisions for Unearned Premiums (+)		-	-
1.3 - Changes in the Reserve for On-going Risks (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
1.3.1- Reserve for On-going Risks (-)		-	-
1.3.2- Reinsurer Shares in Reserve for On-going Risks (+)		-	-
2- Investment Income of Life Line		-	-
3- Unrealized Investment Profits		-	-
4- Other Technical Income (Reinsurer Shares Deducted) (+/-)		-	-
4.1- Other Gross Technical Income (+/-)		-	-
4.2- Reinsurer Shares in Other Gross Technical Income (+/-)		-	-
5.- Accrued Recourse Income (+)		-	-

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated income statement for the accounting period ending on December 31, 2017 (Currency - Turkish Lira (TL))

I- TECHNICAL DEPARTMENT (cont'd)	Footnote	Independent Audited 1 January- December 31, 2017	Independent Audited (Revised)(*) 1 January- December 31, 2016
E- Life Technical Expenses		-	-
1- Realized Compensations (Reinsurer Shares Deducted) (+/-)		-	-
1.1- Paid Compensations (Reinsurer Shares Deducted) (-)		-	-
1.1.1- Gross Paid Compensations (-)		-	-
1.1.2- Reinsurer Shares in Paid Compensations (+)		-	-
1.2- Changes in the Provisions for Outstanding Compensations (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
1.2.1- Provisions for Outstanding Compensations (-)		-	-
1.2.2- Reinsurer Shares in Provisions for Outstanding Compensations (+)		-	-
2- Changes in the Provisions for Bonuses and Discounts (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
2.1- Provisions for Bonuses and Discounts (-)		-	-
2.2- Reinsurer Shares in Provisions for Bonuses and Discounts (-)		-	-
3- Changes in the Mathematical Provisions (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
3.1- Mathematical Provisions (-)		-	-
3.1.1- Actuarial Mathematical Provisions (+/-)		-	-
3.1.2- Bonus Provision (Provision Allocated for Policies whose Investment Risks Belong to Policy Holders)		-	-
3.2- Reinsurer Shares in Mathematical Provisions (+)		-	-
3.2.1- Actuarial Reinsurer Shares in Mathematical Provisions (+)		-	-
3.2.2- Reinsurer Shares in Bonus Provision (Provision Allocated for Policies whose Investment Risks Belong to Policy Holders) (+)		-	-
4- Changes in the Other Technical Provisions (Reinsurer Share and Transferred Portion Deducted) (+/-)		-	-
5- Operating Expenses (-)		-	-
6- Investment Expenses (-)		-	-
7- Unrealized Investment Losses (-)		-	-
8- Investment Expenses Transferred to Non-Technical Department (-)		-	-
C- Technical Department Balance - Life (D - E)		-	-
G- Retirement Technical Income		-	-
1- Fund Management Income		-	-
2- Management Expense Deduction		-	-
3- Entrance Fee Income		-	-
4- Management Expense Deduction in Case of Suspension		-	-
5- Special Service Expense Deduction		-	-
6- Capital Allocation Advance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Capital Allocation Advance Value Decrease Income (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Technical Department Balance - Retirement (G - H)		-	-

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

**Detailed unconsolidated income statement
for the accounting period ending on December 31, 2017
(Currency - Turkish Lira (TL))**

II- NON-TECHNICAL DEPARTMENT		Independent Audited	Independent Audited (Revised)(*)
	Footnote	1 January- December 31, 2017	1 January- December 31, 2016
C- Technical Department Balance - Non-Life (A - B)		231.625.920	177.703.013
C- Technical Department Balance - Life (D - E)		-	-
I- Technical Department Balance - Retirement (G - H)		-	-
J- General Technical Department Balance (C+F+I)		231.625.920	177.703.013
K- Investment Income	26	273.788.872	186.691.540
1- Income from Financial Investments	26	202.904.187	139.935.779
2- Profit from Converting the Financial Investments to Cash	26	-	-
3- Valuation of Financial Investments	26	13.548.605	(775.017)
4- Foreign Currency Gains	26, 36	48.494.067	43.912.044
5- Income from Affiliates		140.533	-
6- Income from Subsidiaries and Enterprises Subject to Joint Management	26	491.456	2.639.826
7- Income from Plots, Lands and Buildings	26	8.210.024	978.908
8- Income from Derivative Products		-	-
9- Other Investments		-	-
10- Investment Income Transferred from the Life Technical Section		-	-
L- Investment Expenses (-)		(231.181.422)	(155.506.657)
1- Investment Management Expenses – Interest Included (-)		-	-
2- Decreases in Investment Value (-)	11	-	(511.647)
3- Losses after the Conversion of Investments to Cash (-)		-	-
4- Investment Income Transferred to Non-Life Technical Department (-)	26	(190.212.536)	(121.998.569)
5- Losses Arising from Derivative Products (-)		-	-
6- Foreign Exchange Losses (-)	26, 36	(30.790.956)	(28.025.850)
7- Depreciation Expenses (-)	31	(10.177.930)	(4.970.591)
8- Other Investment Expenses (-)		-	-
M- Income and Profit and Expenses and Losses from Other Operations and Extra Operations (+/-)		(25.233.962)	(59.087.207)
1- Provisions Account (+/-)	47	(28.552.829)	(46.471.243)
2- Rediscount Account (+/-)	47	1.029.141	6.618.583
3- Qualifying Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Assets Account (+/-)	35	17.956.009	(3.592.425)
6- Deferred Tax Liability Expenses (-)		-	-
7- Other Income and Profits	47,5	4.218.782	2.418.535
8- Other Expenses and Losses (-)	47,5	(19.917.361)	(18.060.657)
9- Previous Years' Income and Profits		32.296	-
10- Previous Year's Expenses and Losses (-)		-	-
N- Net Profit or Loss for the Period		186.497.248	122.600.956
1- Profit and Loss for the Period	35	248.999.408	149.800.689
2- Provision for Taxation on Profit for the Period and Other Legal Liabilities (-)	35, 47	(62.502.160)	(27.199.733)
3- Net Profit or Loss for the Period		186.497.248	122.600.956
4- Inflation Adjustment Account		-	-

(*) See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Detailed unconsolidated cash flow statement
as of December 31, 2017
(Currency - Turkish Lira (TL))

CASH FLOW STATEMENT	Footnote	Independent Audited	Independent Audited
		1 January-December 31, 2017	1 January-December 31, 2016
A- Cash Flows from Real Operations			
1- Cash Inflows from Insurance Operations		2.675.107.776	2.717.854.277
2- Cash Inflows from Reinsurance Operations		243.861.730	182.324.980
3- Cash Inflows from Retirement Operations		-	-
4- Cash Outflow due to Insurance Operations (-)		(1.849.973.323)	(1.638.454.228)
5- Cash Outflow due to Reinsurance Operations (-)		(714.370.425)	(540.496.987)
6- Cash Outflow due to Retirement Operations (-)		-	-
7- Cash Generated after the Main Activities (A1+A2+A3-A4-A5-A6)		354.625.758	721.228.042
8- Interest Payments (-)		-	-
9- Income Tax Payments (-)		(47.827.657)	(35.286.614)
10- Other Cash Inflows		4.062.947	3.110.621
11- Other Cash Outflows (-)		(671.652.530)	(331.931.041)
12- Net Cash Generated from Main Activities		(360.791.482)	357.121.008
B- Cash Flows from Investment Operations			
1- Sale of Tangible Assets		10.806.657	1.452.778
2- Acquisition of Tangible Assets (-)	6,8	(26.088.689)	(31.942.919)
3- Acquisition of Financial Assets (-)	11	(458.320.743)	(311.227.009)
4- Sales of Financial Assets	11	116.439.440	211.856.610
5- Interests Received		193.876.949	133.031.544
6- Dividends Received	26	491.456	2.639.826
7- Other Cash Inflows		15.705.638	12.508.442
8- Other Cash Outflows (-)		(53.910.101)	(26.731.243)
9- Net Cash Generated from Investment Operations		(200.999.393)	(8.411.971)
B- Cash Flows from Financing Operations			
1- Share Issue		-	-
2- Cash Inflows Regarding Loans		-	-
3- Financial Leasing Payable Payments (-)		-	-
4- Dividends Paid (-)	15,1	(31.741.978)	(10.395)
5- Other Cash Inflows		-	-
6- Other Cash Outflows (-)		-	-
7- Net Cash Generated from Financing Operations		(31.741.978)	(10.395)
D- Effect of Exchange Differences on Cash and Cash Equivalent Assets		2.029.430	967.428
E- Net Increase in Cash and Cash Equivalents (A12+B9+C7+D)		(591.503.423)	349.666.070
F- Available Cash and Cash Equivalents at the Beginning of the Year		983.192.680	633.526.610
G- Available Cash and Cash Equivalents at the End of the Year (E+F)	2.12	391.689.257	983.192.680

(*] See footnote 2.30 for the revision.

The footnotes between pages 88 and 156 are complementary parts to these financial statements.

MAPFRE Sigorta Anonim Şirketi

Unconsolidated statement of changes in the equity for the accounting period ending on December 31, 2017 (Currency - Turkish Lira (TL))

	Subjected to Independent Audit (Revised)(*)											
	December 31, 2016 (**)											
	Capital	Establishment's Own Stocks (-)	Asset value Increase	Equity Inflation Adjustment Differences	Foreign Currency Conversion Differences	Legal Reserves	Excess reserves	Reserves undistributed	Other Profits	Net profit for the period/ (Loss)	Past Years Profits/ (Losses)	Total
Current Period												
I- Previous End-of-Period Balance (December 31, 2015)	350.000.000	-	(1.068.135)	-	-	63.756.757	71.128.181	62.046.895	32.816.871	7.990.170	586.670.739	
II- Changes in Accounting Policies (Footnote 2.30)	-	-	-	-	-	-	-	-	-	39.108.601	39.108.601	
III- New Balance (I + II) (January 1, 2016)	350.000.000	-	(1.068.135)	-	-	63.756.757	71.128.181	62.046.895	32.816.871	47.098.771	625.779.340	
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-	
1- Cash	-	-	-	-	-	-	-	-	-	-	-	
2- From Internal Sources	-	-	-	-	-	-	-	-	-	-	-	
B- The Stocks Purchased by the Establishment	-	-	-	-	-	-	-	-	-	-	-	
C- Revenues and Losses not Included in the Income Statement	-	-	(758.922)	-	-	-	-	(531.288)	-	-	(1.290.210)	
D- Asset Value Increase/Decrease	-	-	-	-	-	-	-	-	-	-	-	
E- Foreign Currency Conversion Differences	-	-	-	-	-	-	-	-	-	-	-	
F- Other Revenues and Losses	-	-	-	-	-	-	-	-	-	-	-	
G- Inflation Adjustment Differences	-	-	-	-	-	-	-	-	-	-	-	
H- Net Profit (Loss) for the Period	-	-	-	-	-	-	-	-	122.600.956	-	122.600.956	
I- Dividend Distributed (Note 15)	-	-	-	-	-	-	-	-	(10.395)	-	(10.395)	
J- Transfer to the Reserves	-	-	-	-	-	4.922.530	27.883.946	-	(32.806.476)	-	-	
IV- End-of-Period Balance (December 31, 2016)	350.000.000	-	(1.827.057)	-	-	68.679.287	99.012.127	61.515.607	122.600.956	47.098.771	747.079.691	
(III+ A+B+C+D+E+F+G+H+I+J)												
Independently Audited												
December 31, 2017 (**)												
Current Period												
I- Previous End-of-Period Balance (December 31, 2016)	350.000.000	-	(1.827.057)	-	-	68.679.287	99.012.127	61.515.607	122.600.956	47.098.771	747.079.691	
II- Changes in Accounting Policies (Footnote 2.30)	-	-	-	-	-	-	-	-	-	-	-	
III- New Balance (I + II) (January 1, 2016)	350.000.000	-	(1.827.057)	-	-	68.679.287	99.012.127	61.515.607	122.600.956	47.098.771	747.079.691	
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-	
1- Cash	-	-	-	-	-	-	-	-	-	-	-	
2- From Internal Sources	-	-	-	-	-	-	-	-	-	-	-	
B- The Stocks Purchased by the Establishment	-	-	-	-	-	-	-	-	-	-	-	
C- Revenues and Losses not Included in the Income Statement	-	-	(7.049.579)	-	-	-	-	(770.916)	-	-	(7.820.495)	
D- Asset Value Increase/Decrease	-	-	-	-	-	-	-	-	-	-	-	
E- Foreign Currency Conversion Differences	-	-	-	-	-	-	-	-	-	-	-	
F- Other Revenues and Losses	-	-	-	-	-	-	-	-	-	-	-	
G- Inflation Adjustment Differences	-	-	-	-	-	-	-	-	-	-	-	
H- Net Profit (Loss) for the Period	-	-	-	-	-	-	-	-	186.497.248	-	186.497.248	
I- Dividend Distributed (Note 15)	-	-	-	-	-	-	-	-	(31.741.977)	-	(31.741.977)	
J- Transfer to the Reserves	-	-	-	-	-	4.969.294	52.736.012	10.208.218	(90.858.979)	22.945.455	-	
IV- End-of-Period Balance (December 31, 2017)	350.000.000	-	(8.876.636)	-	-	73.648.581	151.748.139	70.952.909	186.497.248	70.044.226	894.014.467	
(III+ A+B+C+D+E+F+G+H+I+J)												

(*) See footnote 2.30 for the revision.

(**) Detailed explanations regarding the shareholders' equity items are provided in footnote no. 15.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

1. General Information

1.1 1.1 Parent company name and the current owner of the group: MAPFRE Sigorta Anonim Şirketi ("Company") was established on 16 August 1948 in Istanbul, Turkey, and its main activities cover all kinds of insurances in Turkey in the field of non-life insurance, particularly accident, personal accident, motor, fire, transportation, TCIP (Turkish Catastrophe Insurance Pool), engineering, agriculture and health lines of businesses. The transfer of the Company's controlling shares to the Spanish MAPFRE group was completed as of September 20, 2007 and 280,000,000 shares owned by MAPFRE Internacional SA in the Company, representing 80% of the Company's capital, were transferred to MAPFRE Internacional SA ("MAPFRE"), a subsidiary of MAPFRE SA responsible for international investments, as of April 23, 2008, and the transfer was recorded in the Company's stock ledger.

The shares of Demir Toprak İthalat İhracat ve Tic. A.Ş., representing 10% of the Company capital and amounting to 35,000,000 TL were transferred to MAPFRE Internacional S.A. and the transfer was recorded in the Company's stock ledger.

The shares of Avor İnşaat Gıda Tekstil Kimya San. ve Tic. representing 9.75% of the Company capital and amounting to 34,109,046 TL, were transferred to MAPFRE Internacional S.A. in accordance with the letter of T.R. Prime Ministry Undersecretariat of Treasury no. 69664 dated October 4, 2010 and the transfer was recorded in the Company's stock ledger.

The Company's title was changed to "MAPFRE Genel Sigorta Anonim Şirketi" upon the decision taken at the Ordinary General Assembly held on March 31, 2009.

The Company's title was changed to "MAPFRE Genel Sigorta Anonim Şirketi" upon the decision taken at the Extraordinary General Assembly held on September 27, 2016 and published in the Turkish Trade Registry Gazette dated October 12, 2016.

1.2 The residence address, the legal structure, country of origin and the registered address of the organization: The registered headquarters of the Company are located at the address Torun Center Fulya Mah. Büyükdere Cad. No:74/D Şişli / ISTANBUL. The Company has branch directorates in the provinces of Adana, Ankara, Antalya, Bursa, Izmir, Istanbul, Izmit, Mersin, Malatya, Konya, Kayseri, Samsun, Gaziantep, Eskişehir, and Denizli.

1.3 Establishment's actual area of activity: The Company conducts all types of insurance transactions in the non-life insurance area, particularly in the lines of businesses such as fire and natural disasters, transportation, land vehicles, rail vehicles, air vehicles, water vehicles, accidents, general liability, land vehicles liability, water vehicles liability, aircraft liability, general damages, bailment, financial losses IV, financial losses VII, financial losses IX, loans, legal protection and health. In addition, the Company conducts reinsurance transactions in the health line of business. The Company started to operate in the health insurance field as of August 1, 2011, taking over the health portfolio from MAPFRE Yaşam Sigorta A.Ş. The Company decided to purchase 36,720 shares corresponding to 51% of the shares of Genel Servis Yedek Parça Dağıtım Ticaret A.Ş. upon the decision of the Board of Directors no. 2012/23 dated September 21, 2012 and the purchase was completed.

1.4 Description of the operations and the nature of the main field of operation of the organization: Described in notes 1.2 and 1.3.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

1. General Information (cont'd)

1.5 Number of staff members employed within the year by categories:

	December 31, 2017	December 31, 2016
Top and mid-level executives	142	104
Other personnel	639	585
Total	781	689

1.6 Total amount of wages and other benefits granted to top executives such as the Chairman and members of the Board of Directors, General Manager, General Coordinator, assistants to the General Manager, etc. in the current period: January 1 - December 31, 2017: TRY 14,832,841, (January 1 - December 31, 2016: TRY 17,981,939).

1.7 Keys used in the distribution of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourced benefits and services and other operating expenses) in the financial statements:

Investment expenses transferred to the non-technical department

In accordance with the "Communiqué on the Procedures and Principles of the Keys Used in Financial Statements Prepared with Respect to the Uniform Chart of Accounts for Insurance" by the Turkish Prime Ministry Undersecretariat of Treasury (Undersecretariat of Treasury) no. 2008/1 dated January 4, 2008, all income obtained from directing the assets covering the technical provisions to investment are transferred to the technical department. The amount transferred to the technical department is distributed to the sub-lines of business based upon the ratios obtained after dividing the net cash flow amounts calculated after deducting the reinsurance share for each branch by total net cash flow amounts. Net cash flows are obtained by deducting the net paid expenses from the net written premiums.

Distribution of the operation expenses

In the accounting period ending on December 31, 2017 and in line with the aforementioned Communiqué of the Undersecretariat of Treasury, personnel, management, research and development, marketing and sales expenses, outsourced benefits and services and other operating expenses that cannot be directly distributed are distributed based on the weighted average calculated by proportioning the number of policies issued in three years for each line of business, the gross written premium amount and the number of claims to the total number of policies issued, total gross written premiums, and the number of claims, respectively.

1.8 Whether the financial statements cover a single company or a company group: The unconsolidated financial statements cover a single company (MAPFRE Sigorta Anonim Şirketi). The consolidated financial statements of the Company are separately regulated in accordance with the Communiqué on the Regulation of Consolidated Financial Statements of the Insurance, Reinsurance and Retirement Companies.

1.9 The name and other identity information of the reporting establishment, and the changes in this information since the previous balance sheet date: The name and other identity information of the Company is specified in notes 1.1, 1.2 and 1.3 and the changes to this information since the previous balance sheet date are also included in the aforementioned notes.

1.10 Events occurring after the balance sheet date: None.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies

2.1 Preparation principles

2.1.1 The fundamentals used in preparing the financial statements and information regarding the special accounting policies used:

The Company prepares its financial statements within the framework of the regulations in effect in accordance with the "Regulation on Financial Statements of the Insurance, Reinsurance and Retirement Companies" published by the Undersecretariat of Treasury based on Article 18 of the Insurance Law, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, announcements and communiqués published by the Undersecretariat of Treasury with regards to accounting and financial reporting principles (collectively, "Reporting Standards").

As of December 31, 2017, the Company has calculated its technical provisions regarding insurance in accordance with the amended "Regulation on the Technical Provisions of Insurance, Reinsurance and Retirement Companies and the Assets to be Invested with these Provisions" issued within the framework of Insurance Law No. 5684, published in Official Gazette No. 27655, dated July 28, 2010 and which came into effect on September 30, 2010 and other relevant legislation, and this has been reflected in the financial statements.

The format and content of the financial statements prepared by the companies was regulated in order to compare the financial statements with the previous periods and the financial statements of the other companies with the "Communiqué on the Submission of Financial Statements" published in the Official Gazette No. 26851, dated April 18, 2008.

The Circular dated September 15, 2017, no. 2017/7 introduced the obligation to discount net cash flows arising from provisions for outstanding compensations for General Liability and Land Vehicles Liability branches. The impact our accounting policy revised under the said circular, had on the previous financial statements is explained in footnote 2.30.

2.1.2 Other accounting policies appropriate for understanding the financial statements:

Correction of financial statements in high inflation periods

As per the Undersecretariat of Treasury's Decision No. 19387, dated April 4, 2005, the application of the inflation adjustment of financial statements ended in 2005; and accordingly, the Company has not adjusted its financial statements according to the inflation rate since the beginning of 2005. Therefore, equity items on the balance sheet including the non-monetary assets, liabilities and capital of December 31, 2017 were calculated by indexing the entries up to December 31, 2004 by December 31, 2004 in accordance with Turkish Accounting Standards Board ("TASB") standard no. 29 on "Standards on the Financial Reporting in High Inflationary Economies" and carrying the subsequent entries from the nominal values.

2.1.3 Applicable and reporting currency:

The applicable and reporting currency of the Company is Turkish Lira (TRY). The financial statements of the Company and the amounts in footnotes are submitted in TRY unless stated otherwise.

2.1.4 Rounding level of the amounts submitted in the financial statement:

Unless stated otherwise, all amounts and relevant footnotes have been displayed in the financial statements without rounding.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.1.5 Measurement fundamentals used in preparing the financial statements:

Except for the financial statements indicated with the previously mentioned inflation adjustments and realistic values that are available for sale and financial assets with purchase and sale purpose, the financial statements have been prepared based on the principle of historical cost.

2.1.6 Accounting policies, changes and errors in accounting estimations:

The Company prepares its financial statements in accordance with the accounting policies stated in footnote 2.1.1.

The details regarding the revision of the accounting policy are presented in footnote 2.30.

2.2 Consolidation

The Company started to regulate its consolidated financial statements after March 31, 2009 in accordance with the Undersecretariat of Treasury's Communiqué on the Regulation of Consolidated Financial Statements of the Insurance, Reinsurance and Retirement Companies published in the Official Gazette No. 27097, dated December 31, 2008. The consolidated financial statements of the Company are submitted separately to the Undersecretariat of Treasury.

The Company reflected the capital increases of MAPFRE Yaşam Sigorta Anonim Şirketi in its unconsolidated financial statements by converting capital increases up to 31 December 2004 with appropriate correction coefficients in accordance with the industrial announcement by the Undersecretariat of Treasury no. 2008/9 dated 18 February 2008 through the readjusted acquisition cost and the capital increases made after 31 December 2004 by considering the increase amounts.

The unconsolidated financial statements of the Company include the subsidiary Genel Servis Yedek Parça Dağıtım Ticaret A.Ş. required to be consolidated in accordance with "TAS 27- Consolidated and Personal Financial Statements (TAS 27) (TMS 27)". However, in accordance with Article 5, Sub-paragraphs 5 and 6 of the Undersecretariat of Treasury's Communiqué on the Regulation of Consolidated Financial Statements of the Insurance, Reinsurance and Retirement Companies No. 27097, dated June 30, 2009, the Company shall not carry out consolidation in the financial statements dated December 31, 2017 and has included its subsidiary in its records as per the cost method.

2.3 Department Reporting

The Company generates its policies in Turkey. The Company continues its insurance activities in a single reportable department and non-life elements line of business and does not conduct department reporting as it is not open to public.

2.4 E- Foreign currency conversion

The Company's foreign currency policy transactions are based on the Central Bank of the Republic of Turkey (CBRT) foreign exchange sales prices effective on the transaction date and the other transactions are based on the CBRT foreign exchange buying rates effective on the transaction date. The Company uses the foreign exchange buying rates of the CBRT at the end of the reporting period. Foreign exchange gains or losses arising from the conversion of foreign currency transactions or from the definition monetary items are reflected in the income statement in the related period.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.4 E- Foreign currency conversion (cont'd)

The exchange rates used at the end of the period are as follows:

	December 31, 2017			December 31, 2016		
	TL/USD	TL/EUR	TL/GBP	TL/USD	TL/EUR	TL/GBP
Buying rate of exchange	3,7719	4,5155	5,0803	3,5192	3,7099	4,3189
Selling rate of exchange	3,7787	4,5237	5,1068	3,5255	3,7166	4,3414
Effective selling rate of exchange	3,7843	4,5305	5,1144	3,5308	3,7222	4,3479

2.5 Tangible fixed assets

All tangible fixed assets are initially registered at their cost value and carried over through their cost values readjusted by means of conversion with the appropriate readjustment coefficient of the year of purchase up to December 31, 2004. Those purchased after the beginning of 2005 are carried over at their purchase cost value. Tangible assets are indicated as net values after deducting the accumulated depreciation from the cost value and impairment provision, if any.

Normal maintenance and repair expenditures to tangible fixed assets are recognized as expenses.

There are no limitations, such as liens, mortgages, etc., on tangible fixed assets.

There is no expected change in accounting estimates that has a significant effect on the current period or may have a significant effect on subsequent periods.

The depreciation periods of the intangible fixed assets estimated based on the useful lives of tangible fixed assets.

Asset Type	Useful Life
Real estates for use (Buildings)	25 Years - 50 Years
Fixtures and installments	3 Years - 50 Years
Motor vehicles	2 - 5 Years
Special cost prices	5 Years

2.6 Investment properties

Buildings or plots retained to be used in Company activities or for acquiring rent or value increase instead of being sold for administrative purposes or normal course of business, or both, are classified as investment properties. Investment properties consist of plots and buildings and are indicated by deducting the accumulated depreciation from acquisition cost, except for plots. No depreciation is allocated for land and plots as they have infinite life. Buildings are subject to depreciation over their useful lives via straight-line depreciation method. Investment properties are reviewed for impairment whenever circumstances indicate impairment and if the registered value of a real estate with investment purposes is higher than its recoverable value, it is decreased to the recoverable value by means of allocating provision. Recoverable value is recognized as the higher of net cash flows from the current use of real estates with investment purposes and the fair value minus costs to sell.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.6 Investment properties (cont'd)

The depreciation periods of investment properties are as follows:

Asset Type	Useful Life
Investment properties (Buildings)	10 Years - 50 Years

2.7 Intangible fixed assets

Intangible fixed assets consist of software licenses. All intangible fixed assets that are initially registered at their cost are carried over based on their cost values readjusted by means of conversion with the appropriate readjustment coefficient of the year of purchase up to December 31, 2004 in accordance with TAS 38 - Recognition Standard for Intangible Fixed Assets. Those purchased after 2005 are carried over at their purchase cost values.

The values of the intangible assets are reviewed to test whether there is an impairment in the event of changes in the conditions.

As of December 31, 2017, and December 31, 2016, intangible fixed assets are subject to pro rata depreciation over their economic lives via straight-line depreciation method. The depreciation periods of the intangible fixed assets are noted below:

Asset Type	Useful Life
Rights	3 Years - 15 Years

2.8 Financial assets

Financial instruments are agreements that increase an establishment's financial assets and the financial liabilities or capital instruments of another establishment. Financial assets:

- Cash.
- A contractual right that requires the receipt of cash or another financial asset from another establishment.
- A contractual right that requires the establishment to mutually exchange its financial instruments with another establishment in favor of the establishment.
- Capital instruments of another establishment.

A financial asset or a liability is calculated at operational costs at fair value initially given (for financial asset) and acquired (for financial liability), plus any transaction costs, if any. Fair value is the amount at which a financial instrument is traded between willing parties in a current transaction, except in cases of forced sale or liquidation. The quoted market price, if any, is the value that best reflects the fair value of a financial instrument. The estimated fair values of the financial instruments have been determined by the Company using the available market information and the appropriate valuation methods. All designated financial assets carried over at fair value through December 31, 2017 and December 31, 2016 are 1st level financial assets.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.8 Financial assets (cont'd)

The Company reflects the financial assets or liabilities in the balance sheet if it is a party to the related financial instrument contracts. The Company excludes all or part of the financial assets from the records when it loses control over the rights arising from the contract covering such assets only. The Company may exclude financial liabilities from the records only if the liability defined in the contract ceases to exist, is canceled or lapses.

All purchases and sales of normal financial assets are reflected in the records on the transaction date, i.e. the date the Company undertakes to purchase or sell the asset. Such purchases and sales are generally trades that require the delivery of the financial asset within the time frame determined by the general customs and regulations in the market.

Current Financial Assets

The Company classifies its financial assets as available for sale, to-be-retained until maturity, and financial assets with purchase and sale purpose and receivables from main activities.

Classification and valuation of financial investments

a) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are defined as available for sale and not classified as (a) assets to be retained until the maturity date (b) financial assets with purchase and sale purpose and (c) loans and receivables. The valuation of assets available-for-sale following the first registration is made at the fair value. Unrealized profits or losses defined as the difference between the amortized cost values of the movables calculated with the effective interest method, which arise from the changes in the cost values of the financial assets available-for-sale, are indicated in the "Financial Asset Valuation" account within the unrealized profit and loss equity items. The value generated in the equity accounts as a result of the fair value application in the event of disposal of the financial assets available-for-sale is reflected to profit or loss. The long-term securities of the Company are classified as financial assets available-for-sale.

Purchase and sale transactions for securities are recognized on the date of delivery. Financial assets are removed from the records when the Company loses control of the contractual rights on these assets. This occurs when these rights are realized, their maturity is expired, or when they are delivered.

All the securities forming the financial assets available-for-sale portfolio of the Company are in Turkish Lira as of December 31, 2017 and December 31, 2016.

i) State bonds

The state bonds classified in the financial assets available-for-sale are valued with fair values. The values of the public securities calculated with the relevant interest rates based on the internal yield method are compared with the fair values obtained by considering the best purchase order of the relevant security from among the current orders in the stock market and the difference is recognized in the "Financial Asset Valuation" under equity. The difference between the values of public securities calculated with the relevant interest rates based on the internal yield method and the cost values are reflected in the income statement as interest income.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.8 Financial assets (cont'd)

ii) Stocks

The valuation of stocks classified under the financial assets available-for-sale following the first registration is made at fair value. Unrealized profit or loss arising from the changes in the fair value are recognized in the "Financial Asset Valuation" account under equity. The dividends received are indicated in the dividend income on the date of receipt.

The fair values of the available-for-sale securities processed in the active markets are defined by the closing price published in the Stock Exchange as of the balance sheet date.

All the securities forming the financial assets available-for-sale portfolio of the Company are in Turkish Lira as of December 31, 2017 and December 31, 2016.

b) Financial assets to be retained until maturity

Financial assets with fixed or determinable payments that are acquired with the intention to be retained until maturity are classified as securities to be retained until maturity.

The amount of profit or loss incurred if the securities carried over at amortized cost have been impaired or disposed of is included in the income statement in the related period.

The interest obtained due to carrying over the financial assets to be retained until maturity is monitored in the unconsolidated income statement.

There are no financial assets to be retained until maturity within the Company portfolio as of December 31, 2017 and December 31, 2016.

c) Financial assets with purchase and sale purpose

Financial assets with purchase and sale purpose are assets that are acquired with the purpose of profiting from the fluctuations of price or similar elements created short-term in the market, or regardless of the reason of acquisition, assets that are a part of a portfolio with the purpose of profiting in the short term. Financial assets with purchase and sale purpose are monitored based on the fair value by considering the best purchase order in the stock exchange from among the current orders after the date of first registration. All realized and unrealized profits and losses regarding the financial assets with purchase-sale purposes are included in the unconsolidated income statement in the relevant period.

There are no financial assets with purchase-sale purposes within the Company portfolio as of December 31, 2017 and December 31, 2016.

d) Loans and receivables:

Loans and receivables are financial assets created by means of providing money or services to the debtor. The Company initially records the receivables from its principal activities at the acquisition cost and monitors them with their registered values. Loans and receivables are carried over using their discounted costs after the date of first registration. A provision for receivables is allocated if there is a concrete indication that the receivables from matured insurance activities cannot be collected. The charges and other similar expenses related to the assets acquired as guarantees thereof are not considered as part of the transaction cost and are reflected in the expense accounts.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.8 Financial assets (cont'd)

In addition, the Company allocates provisions for receivables subject to administrative and legal proceedings for its doubtful receivables subject to administrative and legal proceedings in relation to the agency and policy holders. This provision is indicated under "Provisions for the Doubtful Receivables from Real Operations" in the balance sheet.

Non-current Financial Assets

Long-term securities consist of the stocks of Türkiye Genel Sigorta A.Ş. Retirement and Social Support Fund for Officials and Servants, 0.17% of which is owned by the Company and the stocks of MAPFRE Yaşam Sigorta A.Ş., 99.50% of which is owned by the Company. These securities are indicated in the records at subsidiaries' and affiliates' acquisition cost..

Inclusion/exclusion of Financial Instruments in/from Records

The Company reflects the financial assets or financial liabilities in the balance sheet if it is a party to the related financial instrument contracts. All ordinary financial asset purchase and sale transactions are reflected to the records on the date of delivery. The Company excludes all or part of the financial assets from the records when it loses control over the rights with which it transferred the risks and benefits regarding its property and arising from the contractual obligation only to the subject of such assets. The Company may exclude financial liabilities from the records only if the liability defined in the contract ceases to exist, is canceled or lapses.

2.9 Impairment of the assets

Financial assets:

Objective indicators regarding the impairment of a financial asset or financial asset group includes the following:

- The issuer or guarantor being in serious financial distress.
- Violation of the contract.
- The creditor granting a privilege to the debtor, which would not be granted otherwise, due to economic and legal causes regarding the financial distress in which the debtor finds him/herself.
- High probability that the debtor will go bankrupt or will undergo financial restructuring.
- The removal of the active market regarding the financial asset due to financial distress.

The Company evaluates whether there is an indicator as of the balance sheet dates, and reflects any impairment to its records.

In addition, the long-term and significant decreases in the values of financial assets that is qualified as available-for-sale capital instruments that occur below the cost value are regarded as objective indicators for impairment. For this criteria, TAS 39 differs from IAS 39 published by the International Accounting Standards Board. While TAS 39 notes that in order to determine the impairment in the financial assets available-for-sale, there should be "long-term and significant decreases in the fair value below the cost value", the same criteria is handled as "long-term or significant decreases in the fair value below the cost value" in IAS 39.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.9 Impairment of the assets (cont'd)

However, both standards stipulate that, in case of an objective indicator regarding the impairment, the accumulated impairment amount generated by the difference between the cost value and fair value and created under equity should be deducted from the equity and reflected as a loss in the income statement. Due to the fact that neither TAS 39 nor IAS 39 has clearly defined the phrases “long-term” and “significant”, the Undersecretariat of Treasury does not have a direction regarding the definitions of “long-term” and “significant”, and such decrease in the stock values of the stocks whose fair value decreases below cost value continues less than a year, the Company has been monitoring the impairment under the value increase/ (decrease) account within statement of changes in equity. The Company assessed developments over the last year in 2009, anticipated that the impairment of certain financial assets could be long-term, and set certain criteria to decide whether the impairment of financial assets was “long-term” or “significant”. The term “long-term” refers to financial assets that have been impaired for 18 months for the company, while “significant” represents the financial assets that lost 40% of their cost value. The Company has decided to allocate provision for impairment for financial assets meeting both criteria.

If there is objective evidence that loans and receivables have been impaired, the amount of the related loss is recognized within profit and loss. In addition, the Company allocates provisions for receivables subject to administrative and legal proceedings for its doubtful receivables in relation to the agency and policy holders and uncollectible receivables or receivables whose probability of being collected is far from likely.

Non-financial assets::

In cases where the assets cannot be converted to money at their own value, they are assessed for impairment. The provision expense is reflected in the income statement when the value of the assets exceeds the amount that can be converted to money. The amount that can be converted to money is the higher of the net sale price of the asset and the usage value. Usage value reflects the present value of future cash flows expected to be generated from the use of an asset and its sale at the end of its useful life and the net sale price reflects the remaining amount after deduction of sales costs from sales revenue. The amount that can be converted to money is estimated for each asset if it can be determined; if not, it is estimated for the group providing the cash flow in which the asset is included. If the provision for impairment losses in previous years is no longer valid or a lower provision is required to be allocated, the required amount is withdrawn and reflected in the unconsolidated income statement.

2.10 Derivative financial instruments

None.

2.11 Clarification (off-set) of financial assets

Financial assets and liabilities are clarified and displayed on an unconsolidated balance sheet when there is a legal right and authority for enforcement regarding clarification and the intention to pay or concurrently settle such assets and liabilities on a net basis.

2.12 Cash and cash equivalents

Cash and cash equivalents include forward and drawing cash and credit card amounts in cash registers and banks. Cash equivalent assets are short-term highly liquid investments that can be easily converted into cash, less than 3 months in maturity and which are not at risk of devaluation.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.12 Cash and cash equivalents (cont'd)

Cash and cash equivalents are indicated with the acquisition costs and total accrued interests.

Cash flow statement

Cash and cash equivalents included in the cash flow statement are displayed below:

	December 31, 2017	December 31, 2016
Cash	8.552	6.384
Banks	1.226.038.019	1.184.458.337
- drawing account	29.638.011	22.190.333
- deposit account	1.196.400.008	1.162.268.004
Blocked credit cards	168.924.686	374.330.618
Payment orders	-	-
Money in transit (postal cheque)	-	-
Interest accrual	21.008.741	11.529.613
Cash and cash equivalents	1.415.979.998	1.570.324.952
Deposit accounts with an original maturity in excess of 3 months, and blocked amounts	(1.003.282.000)	(575.602.659)
Interest accrual	(21.008.741)	(11.529.613)
Cash and cash equivalents forming the basis of cash flow statement	391.689.257	983.192.680

2.13 Capital

2.13.1 As of December 31, 2017 and December 31, 2016, the capital and partnership structure of the Company are as follows:

Name	Share rate	December 31, 2017		December 31, 2016	
		Share amount	Share rate	Share amount	Share amount
MAPFRE Internacional S.A.	99.75%	349.109.046	99.75%	349.109.046	
Other	0.25%	890.954	0.25%	890.954	
Paid-in Capital	100.00%	350.000.000	100.00%	350.000.000	
Capital adjustment positive/negative differences	-	-	-	-	
Nominal Capital		350.000.000		350.000.000	

The Company has not made capital increase within the period ending on December 31, 2017 (31 December 2016: NA).

2.13.2 There are no privileges granted on the shares representing the capital as of December 31, 2017 and December 31, 2016.

2.13.3 As of December 31, 2017 and December 31, 2016, the Company is not subject to the registered capital system.

2.13.4 Other information related to the Company capital has been explained in note 15.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.14 Insurance and investment contracts - classification

Insurance Contracts

As of December 31, 2017 and December 31, 2016, all of the Company's contracts regarding its activities consist of insurance contracts and there are no investment contracts. Insurance contracts are the contracts that transfer the insurance risk. Insurance contracts protect the insured against the adverse economic consequences of the claim under the terms and conditions guaranteed in the insurance policy. The main insurance contracts generated by the Company are fire and natural disasters, transportation, land vehicles, rail vehicles, air vehicles, water vehicles, accidents, general liability, land vehicles liability, water vehicles liability, aircraft liability, general damages, bailment, financial losses, loans, legal protection and health contracts.

Reinsurance Contracts

The Company transfers insurance risks in the lines of business in which it operates to reinsurance companies under reinsurance contracts. Reinsurance assets state the amounts of receivable from reinsurance companies. The impairment in the reinsurance assets has been assessed as of the report date.

Income and expenses relating to reinsurance contracts are recognized in the profit and loss accounts on the dates they accrue considering the periodicity principle.

Reinsurance agreements do not relieve the Company of its obligations arising from insurance contracts and do not transfer the insurance risk existing on the financial statements.

Written premiums and the resulting claims are presented on the financial statements with the gross and reinsurance shares indicated separately.

Reinsurance assets and debts are removed from the financial statements after the expiration of the contract.

2.15 Optional participation features in insurance and investment contracts

Optional participation in insurance and investment contracts is a contractual right that provides the following additional benefits in addition to the guaranteed benefits:

- (i) Potential to constitute a substantial part of the total benefits based on the contract;
- (ii) The amount and timing being at the discretion of the issuer as per the contract; and
- (iii) Based on the following as per the contract:
 - (1) The performance of a specific contract pool or a specific contract type;
 - (2) The realized and/or unrealized investment income of a specific pool of assets retained by the issuer; or
 - (3) The profit or loss of a company, fund or another establishment issuing a contract.

As of the end of the reporting period, the Company does not have insurance or investment contracts that have optional participation features.

2.16 Investment contracts without optional participation features

None (December 31, 2016 - None).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.17 Payables

Contractual financial obligations are:

- Liabilities that stipulate granting cash or other financial assets to other establishments; or
- Contractual liabilities that stipulate that the establishment mutually exchanges its financial instruments with another establishment.

There are no loans taken as of December 31, 2017 and December 31, 2016.

2.18 Taxes

Corporate Tax

Even though from January 1, 2006 on, corporate income in Turkey had been subject to a corporate tax rate of 20%, an amendment introduced through the "Law on Amendment of Certain Tax Laws and Some Other Laws" no. 7061, this rate was set to 22% for corporate earnings pertaining to tax periods 2018, 2019 and 2020. Furthermore, the Council of Ministers is authorized to reduce the said rate from 22% to as low as 20%.

This rate is applicable over the tax basis to be established by adding non-deductible expenses on the commercial earnings of the corporations, and deducting off deductibles (such as subsidiary earnings) provided in tax laws and other deductibles. No further profits are paid unless a dividend is paid.

No withholding shall apply over the dividends paid to entities which generate revenues through an office or permanent representative in Turkey, and entities which are residents of Turkey. For any other dividend payment, a withholding figure of 15% shall apply. During the practice of withholding tax when paying dividends to real and legal person limited taxpayers, the practices stipulated in the related Treaty to Avoid Double Taxation should be considered. The investment of profits as capital shall not be deemed dividend payment, and shall not be subjected to withholding.

Advance income taxes shall be assessed and paid with reference to the corporate tax year applicable for the earnings of that year. The advance income taxes paid during the year can be offset against the corporate tax assessed on the basis of the annual corporate tax return for that year.

There is no procedure for reconciliation with the tax authorities for the taxes to be paid in Turkey. The corporate tax returns are submitted to the relevant tax office, by the evening of the 25th day of the fourth month to follow the end of the accounting period. On the other hand, tax authorities which are authorized for tax audits can review accounting records during the next five years. In this context the observation of any erroneous proceedings may lead to revised tax figures.

Deferred Tax

Deferred tax liabilities and assets are determined by calculating the tax effects over "temporary differences" between amounts of assets and liabilities in the financial statements and the amounts recognized in the tax base in accordance with IAS 12 - Income Taxes Standard. The differences that do not affect the financial or commercial profit of the assets or liabilities according to tax legislation are excluded from these calculations.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.18 Taxes (cont'd)

The calculated deferred tax assets and deferred tax liabilities are indicated on a net basis only if the Company has a legally enforceable right to clarify current tax assets of the Company with current tax liabilities.

If the valuation differences that occur as a result of valuation of the assets have been recognized in the income statement, the current period corporate tax and deferred tax income or expenses are also recognized in the income statement. If the valuation differences that occur as a result of valuation of the assets have been directly recognized in the equity accounts, such tax effects are also recognized in the equity accounts.

2.19 Employee benefits

The Company is obliged to pay compensation to employees in the event of dismissals and retirement in accordance with the Labor Law, except for resignations and dismissals due to rightful reasons. This compensation is a 30-day salary as of December 31, 2017, provided that it does not exceed the maximum SSI premium for each year of work up to the date of dismissal or retirement. The compensation to be paid equals to a month of salary for each year of service (Footnote 22).

The liabilities regarding the severance pay should be calculated at the net current value of the estimated provision of the future contingent liability amounts of all employees using specific actuarial estimations in accordance with the provisions of "Turkish Accounting Standards on the Employee Benefits" ("TAS 19") (Footnote 22).

Retirement rights and the defined contribution plan:

The employees of the Company are the members of Türkiye Genel Sigorta A.Ş. Retirement and Social Support Fund for Officials and Servants ("Fund") established in accordance with the provisional article 20 of the Social Insurance Law No. 506. The Company pays premiums to the Fund for such employees. The technical financial statements of the Fund are audited by an actuary registered to the actuaries registry in accordance with Articles 1, 21, 28 and 31 of Insurance Law No. 5684.

The first paragraph of the provisional article 23 of the Banking Law published in the Official Gazette with rep. no. 25983 dated 1 November 2005 used to rule that the bank funds would be transferred to Social Security Institution (SSI) within 3 years after the publication of the Banking Law and regulate the principles of this transfer. Such article regarding the transfer was repelled by the Constitutional Court upon the application by the President on 2 November 2005 upon the decision no. 2007/33 and 2005/39 dated 22 March 2007 published in the Official Gazette no. 26479 dated 31 March 2007 and its execution was suspended as of the publication date of the decision.

The justified decision of the Constitutional Court regarding the repeal of such article was published in Official Gazette No. 26372, dated December 15, 2007. Upon the publication of the justified decision, the Turkish Grand National Assembly ("TBMM") started to work on the new legal regulations on the transfer of the fund affiliates to SSI, and the relevant articles of "Law on the Amendment to Social Security and General Health Insurance Law and Several Laws and Statutory Decrees" ("New Law") No. 5754 regulating the principles on transfer were accepted by the General Assembly of TBMM on April 17, 2008.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.19 Employee benefits (cont'd)

The New Law was published in the Official Gazette No. 26870, dated May 8, 2008 and came into effect. With the New Law, it was ruled that the bank funds be transferred to the SSI within three years of the date of publication of the related article without the necessity for any procedure, and that the three-year transfer might be extended by a maximum of two years upon the decision of the Council of Ministers. The period for transferring the funds to the Social Security Institution was extended for two years upon the decision of the Council of Ministers no. 2011/1559 published in the Official Gazette dated April 9, 2011. The authority to increase the two-year extension period to four years was granted to the Council of Ministers with the Law on Amendment to the Social Security and General Health Insurance Law No. 6283 published in the Official Gazette dated March 8, 2012. The transfer date was determined as May 2015 based upon the decision of the Council of Ministers dated February 24, 2014. However, the authority to determine the date of transfer was granted to the Council of Ministers with Article 51 of Law No. 6645 published in Official Gazette No. 29335, dated April 23, 2015, and the transfer of the funds was postponed to an unknown date.

The commission to be formed by the participation of a member representing the Fund subject to calculation and the separate representatives from the SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA and SDIF including the affiliates leaving from each fund, rules with regard to the transferred individuals as of the date of transfer that the advance value of the liability shall be calculated using a technical interest rate of 9.80% with the differences in consideration in the event that the income and expenses of the funds for the insurance branches within the scope of the Law and the monthly payments made by the funds and income are higher than the monthly payments and income in line with the SSI regulations. In accordance with the New Law, the other social rights and payments of the Fund participants and individuals put on monthly salary and/or income and their beneficiaries, which are not fulfilled, despite the fact that they are indicated in the Articles of Foundation these individuals are subject to after they are transferred to SSI, shall continue to be made by the funds and organizations employing the fund participants.

The Law on Amendment to the Social Security and General Health Insurance Law No. 6283, known as the "adjustment law" by the public, was published in the Official Gazette dated March 8, 2012 (Footnote 22).

2.20 Reserves

Provisions, contingency liabilities and contingency assets

Provisions are only recognized if the Company has a present and legally existing obligation (legal or constructive) and it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation to be incurred can be reliably estimated. When the devaluation of the money over time becomes significant, the provision is calculated by discounting the pre-tax rate and future cash flows of current market estimates that reflect the time value of the money (and, where appropriate, the risks specific to the liability).

The contingent liabilities are not reflected in the financial statements but disclosed in footnotes if the circumstances requiring the transfer of resources are not highly probable. The contingent assets are disclosed in the footnotes if they are not reflected in the financial statements but are likely to generate economic returns.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.20 Reserves (cont'd)

Technical provisions for insurance

a) Provisions for unearned premiums:

The provisions for unearned premiums, excluding the earthquake collateral premiums in the policies issued before June 14, 2007 and the marine line of business policy premiums, consist of the portion of the premiums accrued for the insurance contracts made between January 1 – December 31, 2013 period and that were in effect as of the balance sheet date without any discounts going over the next accounting period based on the day in gross amount in accordance with the “Regulation on the Technical Provisions of Insurance, Reinsurance and Retirement Companies and the Assets to be Invested with these Provisions” (“Regulation on Technical Provisions”) published in the Official Gazette No. 26606 dated August 7, 2007 and which came into effect on January 1, 2008. The provisions for unearned premiums are calculated for the earthquake collateral premiums in the policies issued after June 14, 2007 within the scope of the Communiqué of the Undersecretariat of Treasury dated July 4, 2007. 50% of the premiums accrued in the last three months are calculated as PUP for the marine line of business policies whose ending date cannot be determined.

On the other hand, the Undersecretariat of Treasury Communiqué no. 2007/25 dated December 28, 2007 ruled that the practice of allocating provisions for unearned premiums after deducting the commissions for the policies issued before December 31, 2007 would continue due to the fact that the provisions for the unearned premiums that were allocated after deducting commission for 2007 had been transferred to the financial statements of 2008. In accordance with the “Industrial Announcement on the Application of the Legislation Concerning Technical Provisions” by the Undersecretariat of Treasury dated March 27, 2009, the effective and expiration times of the policies considered in exchange of the unearned premiums are taken as 12.00 midday and all policies are considered valid for a half day on the issue date and the expiration date.

The terms and commissions of the reinsurance agreements in effect are taken into account for the Reinsurer’s share of unearned premiums.

The portion of the amounts accrued for the non-proportional reinsurance agreements that correspond to future period(s) are monitored in the deferred expenses account.

b) Reserve for on-going risks:

In accordance with the Regulation on Technical Provisions for insurance contracts prepared after January 1, 2008, the reserve for on-going risks are allocated in the event that the provisions for earned premiums are insufficient compared to the risk borne by the company and the expected expenditure level for the insurance lines of business in which the risk level incurred throughout the insurance contract period is not in conformity with the time-based distribution of the earned premiums.

While allocating the reserve for on-going risks, the companies are obliged to conduct a competence test covering the last 12 months for each accounting period in case there is a possibility that the compensation that may arise due to insurance contracts in effect is higher than the provisions for unearned premiums allocated for the relevant contracts. In the event that the anticipated claim premium rate is above 95% for the lines of business to be determined by the Undersecretariat of Treasury, the amount obtained by multiplying the ratio exceeding 95% with the provision for premiums is calculated for the reserve for on-going risks for that line of business.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.20 Reserves (cont'd)

It is ruled with Article 7 of the industrial announcement by the Undersecretariat of Treasury no. 2012/13, dated July 18, 2012 that the calculations of the provisions for outstanding compensation and unearned premiums subject to the calculation of ongoing risks be made in accordance with the new method in order to eliminate the misleading effect that may arise in the event that the calculation methods for the provisions for outstanding compensation and unearned premiums are changed during the calculation of the reserve for on-going risks.

With the Communiqué by the Undersecretariat of Treasury no. 2012/15, the sentence "In this sense, it is deemed appropriate to take into account all the sub-branches in the Insurance Uniform Chart of Accounts specified by the Undersecretariat for the calculation of the Reserve for On-going Risks in accordance with the Insurance Law No. 5684," in the second paragraph of the communiqué no. 2007/21 was amended as "In this sense, it is deemed appropriate to take into account all the main branches in the Insurance Uniform Chart of Accounts specified by the Undersecretariat for the calculation of the Reserve for On-going Risks in accordance with the Insurance Law No. 5684" to be effective as of December 31, 2012. In addition, the reserve for on-going Risks calculated as net in accordance with the communiqué no. 2013/2 by the Undersecretariat of Treasury are calculated with separate gross and reinsurance share as of December 31, 2012 (Footnote 17).

As of December 31, 2017 and December 31, 2016, the Company had employed the method set out in the "Communiqué on the Reserve for On-going Risks" no. 2016/37 dated November 11, 2016.

c) Provision for outstanding claims and compensation:

The Company allocates claims reserve for all liabilities within the claim files for which a notification was sent and not paid as of the end of the period. The outstanding claims reserve is determined in conformity with the expert reports or the assessments of the insured and expert.

Claims Incurred But Not Reported

The definitions regarding the IBNR calculations conducted for the main line of businesses as of December 31, 2017 based upon the "Communiqué on the Provision for Outstanding Compensation" No. 2016/11 are specified below with reasons and grounds.

1. Major Claim Exclusion

Major claim exclusion has been conducted in four lines of business: fire, marine, general liability, general losses. The threshold is set to TRY 2,000,000 for the fire branch, and to TRY 1,000,000 for other branches. Accordingly, the files subject to the chain and the file statistics eliminated are listed below;

	Number of Exclusions	Total Number	Rate
Fires	25	48.227	0.05%
Transportation	4	9.087	0.04%
General Liability	9	14.186	0.06%
General Losses	46	45.078	0.10%

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2. Net Amount Calculation (from reinsurance)

The diagonal gross-net ratio of the seven-year chain data has been used to calculate the net portion of the IBNR amount in order to follow the provisions of the Company's reinsurance agreements. The net IBNR amount is reached after multiplying the amount, which is obtained after dividing the amount subjected to the realized chain, calculated using the net values of the files in main lines of business to the amount subjected to the realized chain calculated over the gross values, by the gross IBNR number. In order to be able to reflect changes in reinsurance agreements over the years in the IBNR calculation, the method was carried out separately for each claim quarter.

3. Method for Calculating the Compensation Figure Realized But Not Reported

The Company uses a standard actuarial ladder chain method in the branches of general liability, general losses, air lines, air vehicle liability, discretionary liability, land vehicles, accident, marine, health, water vehicles, fire/natural disasters, financial losses, legal protection and bailment branches and for tangible claims for the Traffic branch, and final damage density and a frequency actuarial ladder chain method for bodily claims for the traffic branch.

4. Excess Provisions - Compulsory Traffic Branch

It was considered that the results calculated using standard methods in the compulsory traffic branch would be insufficient to meet the obligations of the Company and that it would be more accurate to calculate them with the alternative method considering all the assumptions that may affect the claim development.

A. Standart ACLM

Final claims assessments were based on a chain of actual figures accrued through a chain of 28 consecutive periods. Accordingly, the traffic IBNR (gross) amount was calculated as TRY 454,796,937.

The compulsory traffic bodily IBNR calculation was made in accordance with the final damage intensity and frequency ACLM method.

In conclusion:		
Tangible IBNR	=	TRY 45,457,006
Incapacity	=	TRY 203,973
IBNR before 2011	=	TRY 8,119,484
IBNER	=	TRY 37,223,400
Maximum Price IBNR	=	TRY 136,317,924
Indirect IBNR	=	TRY 29,524,920
Bodily IBNR	=	TRY 220,880,533
Gross Traffic IBNR	=	TRY 477,727,239

On the basis of the justification provided above, as of December 31, 2017, the gross IBNR figure for the Traffic line of business should be registered in the books as TRY 477,727,239 (December 31, 2016: TRY 313,337,771).

The net IBNR result, in turn, is TRY 452,196,522 (December 31, 2016: TRY 292,655,591).

"ARTICLE 1 – Clause 5.A of the Communiqué on Provisions for Outstanding Compensation" in "Communiqué on the Amendment to the Communiqué on Provisions for Outstanding Compensation (2014/16)" No. 2016/11 that came into effect on February 29, 2016 was amended as follows.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.20 Reserves (cont'd)

5. A. (1) If the amount obtained after IBNR calculation (a) is higher than the previous quarterly amount (b), the IBNR calculation can be made by making an addition to (b) to the account difference between (a-b) in quarterly periods by starting the first quarterly period of 2016, to the extent that it shall not be less than the following:

- For 2015; 2.5%, 5%, 10%
- For 2016; 7.5%, 7.5%, 10%, 10%
- For 2017; 12.5%, 12.5%, 15%, 15%
- For 2018; 20%, 20%, 25% and 25%
- For 2019; 40%, 60%, 80% and 100%

..."

As stated in the aforementioned clause, as of December 31, 2017, a right has arisen to make IBNR calculations by adding at least 15% of the increase to the IBNR dated September 30, 2017. This ratio was used as 100% as of December 31, 2017 as per the Company management's decision. In this context, with reference to net figures;

	December 31, 2017	September 30, 2017	Difference	100%	Result
Traffic IBNR	452,196,522	436,991,463	15,205,059	15,205,059	452,196,522

The net figure to be reflected on the balance sheet is TRY 452,196,522 (December 31, 2016: TRY 292,655,591).

5. Sufficiency of the Provisions for Outstanding Compensations

ACLM is used for calculating IBNR in all lines of business. Therefore, the results of the calculation of Sufficiency Difference for Provisions for Outstanding Compensation were not allocated as provisions..

6. Applied Increase Rates

As of December 31, 2017, the gradual increase rates applied in IBNR calculation was set to 100% for all lines of business (December 31, 2016: 74.4%).

7. Discounting of Net Cash Flows

The "Circular on the Discounting of Net Cash Flows Arising out of Provisions for Outstanding Compensations" no. 2016/22 authorized the Companies to discount cash flows arise due to outstanding claims provisions. The "Circular on the Amendment of the Circular on the Discounting of Net Cash Flows Arising out of Provisions for Outstanding Compensations" dated September 15, 2017 no. 2017/7 introduced the obligation to apply discounts for the Traffic and General Liability lines of business.

In this context, discount figures were calculated in Discretionary Financial Liability, Traffic, and General Liability lines of business, as of December 31, 2017.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.20 Reserves (cont'd)

For General Liability and Discretionary Financial Liability lines of business, the discount calculations were based on Table 57 - ACLM. In the case of Traffic line of business, on the other hand, a method other than the method of Table 57 was applied due to the high level of deviation brought about by a wide range of applications implemented during various parts of the payment chain. The development in the past one year was deemed to provide a better reflection of the payment tendencies, while the developments occurring past the 6th year were thought to be consequences of the case where the lawsuits accounted for a more prominent part of the portfolio, and thus would not provide an accurate reflection of the current state of affairs. In this context, the average of the most recent 4 factors was taken into account for all development periods. In this context, the figures to be discounted as of December 31, 2017 are presented in the following table.

	Gross Discount	Net Discount
IMM	2,464,637	2,464,518
General Liability	30,802,401	11,385,961
Traffic	110,877,059	106,910,111
Total	144,144,098	120,760,590

As of December 31, 2017, the net amount to be discounted off the provision for outstanding compensation is TRY 120,760,590.

Had the analysis for the Traffic line of business been based on Table 57 - ACLM, the gross amount to be discounted as of December 31, 2017 is assessed to be TRY 108,721,521. In conclusion of the analyses based on the above-mentioned assumptions, it is found that the discount figures are calculated by a gross margin of TRY 2,155,538 in excess.

d) Provisions for bonuses and discounts:

The provision for bonuses and discounts is a provision that should be allocated in the event that a bonus or discount is guaranteed for the insured regarding the policies in effect in the current period for the subsequent periods. In the event that Company implements bonuses and discounts, the provision for the bonuses and discounts required to be allocated in accordance with Article 16 of the Insurance Law consist of the sum of bonuses and discounts allocated for the insured or shareholders as per the technical results of the current year.

The Company calculates the provision for bonuses and discounts that are guaranteed based on claim premium rates. As of December 31, 2017, and December 31, 2016, these amounts are explained in footnotes 17 and 47.5. The Company continues to calculate bonuses and discounts for the bonuses and discounts it gives due to the condition of renewal if the probability of renewal of the related group is higher than the possibility of not renewing.

e) Balancing provision:

As of January 1, 2008 the Company calculates balancing provision within the scope of the Undersecretariat of Treasury's Regulation on Technical Provisions published in Official Gazette No. 26606 dated August 7, 2007. In accordance with the Regulation on Technical Provisions, insurance companies are obliged to allocate balancing provisions for the insurance contracts that include loan earthquake collateral in order to balance the fluctuations in the compensation ratios that may occur in the subsequent accounting periods and meet the catastrophic risks. Such amount is calculated as 12% of the net earthquake and loan premiums corresponding to each year.

In the calculation of net premiums, the amounts accrued for non-proportional reinsurance agreements are considered as deferred premiums. In addition, the balancing provisions calculated as net in accordance with the Undersecretariat of Treasury's Communiqué No. 2013/2 are calculated with a separate gross and reinsurance share as of December 31, 2012 (Footnote 17).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.21 New Regulation on the Traffic Accident Treatment Expenses within the Scope of “Communiqué on the Recognition of Payments to the Social Security Institution Regarding Treatment Expenses and the Opening of a New Account Code in the Insurance Account Plan” No. 2011/18

Article 59 of the “Law on the Restructuring of Miscellaneous Receivables and on the Amendment to the General Health Insurance Law and Other Miscellaneous Laws and Statutory Decrees” No. 6111 published in the Official Gazette No. 27857 dated February 25, 2011 rules that, as of February 25, 2011, the amount to be determined by the Undersecretariat of Treasury be transferred to the Social Security Institution (“SSI”) for the compulsory insurances that provide health collateral for traffic accidents to the extent that it shall not exceed 15% of the premiums written by the insurance companies and that the liabilities regarding the treatment expenses of the insurance companies with this transfer that arise due to injuries resulting from traffic accidents be transferred to SSI. The Provisional Article 1 of the aforementioned Law rules that, provided that it shall not exceed 20% of the amount to be transferred within the scope of Article 59, the amount to be determined by the Undersecretariat of Treasury be transferred to SSI and the treatment services provided regarding the injuries resulting from traffic accidents before February 25, 2011 be covered by SSI.

In this sense, procedures and principles regarding the payment of the treatment expenses within the scope of compulsory traffic insurance, compulsory transport insurance and compulsory seat personal accident insurance are regulated with the “Regulation on the Principles and Procedures Regarding the Collection of the Health Service Fees Submitted to the Authorities due to Traffic Accidents” No. 28038 dated August 27, 2011 and Communiqué No. 2011/17. Correspondingly, the recognition principles regarding the regulations and amendments made in the Uniform Chart of Accounts are regulated with the “Communiqué on the Recognition of Payments to the Social Security Institution Regarding the Treatment Expenses and the Opening of a New Account Code in the Insurance Account Plan” (2011/18) to come in force on September 30, 2011.

Accordingly, IBNR is calculated by deducting the compensations paid with regard to the treatment expenses among the ACLM development triangles in 714-Compulsory Highway Transportation Financial Liability, 715-Compulsory Traffic and 718-Compulsory Seat Personal Accident for Buses, outstanding compensations and all the data regarding the recourse, salvage and similar collected income. However, as no classification has been made on the premium side for the past few years, premiums in the ACLM calculations for the post-law period are considered as including those transferred to SSI.

2.22 Regulation on the “Outstanding Claims in Legal Proceedings” within the scope of the “Communiqué on the Definitions on Incurred But Not Reported (IBNR) Provisions for Compensations” No. 2011/23

Article 4, Paragraph 1 of the Regulation on the Financial Reports of the Insurance, Reinsurance and Retirement Companies states as follows; “Except for the communiqués to be issued by the Undersecretariat set out in Paragraph 2, Company activities shall be recognized in accordance with the provisions of the legislation regarding the principles of preparation and submission of financial statements in this Regulation and TASB.” Article 6, Paragraph 1 of the aforementioned Regulation defines the balance sheet as “the table that accurately and realistically reflects the economic and financial status of companies on a specific date and indicating their assets, payables and equities as active and passive accounts.”

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.22 Regulation on the “Outstanding Claims in Legal Proceedings” within the Scope of the “Communiqué on the Definitions on Incurred but not Reported (IBNR) Provisions for Compensation” No. 2011/23 (cont'd)

Within this scope, in order for the financial reports to reflect the true status, Communiqué No. 2011/23 states that provisions should be allocated by means of assessing the possibility of winning or losing for files in legal proceedings, as well as principles that form a basis for discounting the provision for the outstanding compensation for files in legal proceedings.

The winning rate was calculated at the amounts of the lawsuits filed against for the sub-lines of business based on the realizations in the last five years retrospectively after the end of the period when the calculation has been made by considering the settlement date of the file suit in accordance with the principles set out in the relevant communiqué and gross discount has been made from the outstanding files accrued for the files in legal proceedings based on this winning rate and the winning rates used on a sub-line of business basis are provided below.

Line of Business	December 31, 2017			December 31, 2016		
	Revenue Rate (%)	Gross	Net	Revenue Rate (%)	Gross	Net
Compulsory Traffic	4.26%	10,693,010	10,653,778	5.30%	11,939,766	11,939,070
Fires	18.68%	2,231,097	1,154,371	25.00%	2,366,677	1,130,838
Voluntary Financial Liability for Motor Vehicles	21.39%	1,631,560	1,631,348	23.94%	1,584,032	1,583,798
Construction	12.51%	1,667,824	372,430	23.98	2,736,075	647,300
Motor Vehicles - Motor Insurance	25.00%	774,249	774,249	25.00%	1,279,574	1,279,574
Goods	25.00%	1,243,663	559,672	25.00%	814,459	413,867
Theft	15.00%	74,256	38,744	25.00%	122,252	61,904
Assembly	15.00%	362,767	217,589	2.47%	46,422	32,337
Financial Liability towards Third Persons	25.00%	3,057,104	1,215,971	25.00%	1,904,356	704,162
Machinery Breakdown	15.00%	707,874	23,007	25.00%	1,137,243	36,133
Personal Accident	0.86%	7,676	4,972	3.61%	41,259	31,318
Electronic Device	24.31%	221,794	44,536	23.87%	26,450	25,714
Employer Financial Liability	18.67%	9,440,760	3,020,457	25.00%	8,346,074	2,431,358
Compulsory Financial Liability Regarding Medical Malpractice	15.00%	824,919	411,936	25.00%	1,088,578	543,450
Compulsory Seat Personal Accident for Buses	25.00%	377,794	39,496	25.00%	581,090	55,568
Disease/Health	8.84%	-	-	2.11%	1,178	1,178
Compulsory Highway Transportation	1.13%	13,809	1,341	1.39%	24,183	2,304
Financial Liability	0.15%	3,101	956	0.00%	-	-
Professional Liability Insurance						
Total		33,333,257	20,164,853		34,039,668	20,919,873

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.23 Income recognition

Recourse and Salvage Income

The Company recognizes its recourse receivables from real and corporate bodies that are amicably agreed with insurance companies for the period when such recourse income related to the claims payments is earned based on the Undersecretariat of Treasury's correspondence no. B.02.1.HM.O.SGM.0.3.1.1 dated January 18, 2005 in accordance with the principle for accrual in the unconsolidated financial statements prepared as of December 31, 2017. The Company also allocates provision for the doubtful receivables for the recourse receivable in the legal or attachment proceedings.

The Company had income accrued for the recourse receivables from insurance companies and real and corporate bodies in accordance with the provisions set out in the Undersecretariat of Treasury's Communiqués No. 2010/16 and 2011/1 dated September 20, 2010 and January 14, 2011 in the unconsolidated financial statements prepared as of December 31, 2017 and allocated provisions for the recourse receivables for which six months (receivables from insurance companies) have passed since the payment date of the claim providing a basis for the recourse receivable and four months have passed (from real and other corporate bodies). The Company also allocates provisions for the doubtful receivables for the recourse receivable in legal or attachment proceedings.

The Company recognizes the recourse and salvage income accrued in accordance with the Undersecretariat of Treasury's Communiqués No. 2010/13 and 2012/7 dated September 20, 2010 and May 31, 2012 in the "Accrued Recourse and Salvage Income" account on the unconsolidated financial statements prepared as of December 31, 2017.

Interest Income

Interest income is recorded in accordance with accrual basis using the effective revenue method.

Dividend Income

The dividend is registered as income on the date when the right to collect occurs.

Leasing Income

Leasing income is reflected on the financial statements when earned monthly.

2.24 Financial leasing

Financial leases that stipulate the transfer of all the risks and benefits of ownership of the asset leased to the Company are reflected at the beginning of the lease on the basis of the contractual value of the leased asset. Financial lease payments are allocated as principal and finance interest during the lease term, with the balance of remaining debt for each period generating a fixed periodic interest rate. Financial expenses are reflected directly to the unconsolidated income statement throughout the periods. Capitalized leased assets are depreciated throughout their estimated useful lives.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.26 Financial leasing (devamı)

Operational Leases

Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operational leases. Operational lease payments are recorded as expenses on a linear basis during the lease term in the unconsolidated income statement.

2.25 Dividend distribution

Earnings per share

Earnings per share are calculated by dividing the net profit for the period that can be distributed to the shareholders by the weighted average number of shares during the year. If the capital increase is made from the internal resources during the period, the weighted average of the shares is considered to be valid at the beginning of the period.

2.26 Related parties

The person or establishment that is related to the establishment that prepares the financial statements (shall be referred to as the 'reporting establishment' in this Standard).

(a) A person or a close family member of this person is deemed to be related to the reporting establishment on the following occasions:

In the event that,

- (i) Such person has control or joint control of the reporting establishment.
- (ii) Such person has an important influence on the reporting establishment.
- (iii) Such person is a member of key management personnel of the reporting establishment or parent of the reporting establishment.

(b) The establishment is considered related to the reporting establishment if one of the following conditions exists:

- (i) The establishment and the reporting establishment are members of the same group (i.e. a parent is related to the subsidiary and other subsidiaries).
- (ii) The establishment is an affiliate or business partner of the other establishment (or of the member of a group of which the other establishment is a member).
- (iii) Both establishments are the business partners of the same third party.
- (iv) One of the establishments is the business partner of the third business and the other establishment is the affiliate of the third establishment.
- (v) The establishment, reporting establishment or an establishment related to the reporting establishment has benefit plans for its employees that are provided after resignation. If the reporting establishment has such a plan, sponsoring employers are related to the reporting establishment.
- (vi) The establishment is controlled or jointly controlled by a person defined in clause (a).
- (vii) The person defined in paragraph (i) of clause (a) has an important effect on the establishment or such establishment (or the parent of this establishment) is a member of the key management personnel.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.26 Financial leasing (cont'd)

Transactions with a related party are transfers between a reporting establishment and a related party, regardless of whether the resources, services, or obligations are a consideration.

Transactions with related parties are transfers between the related parties, regardless of whether the resources, services, or obligations are a consideration.

As of December 31, 2017, MAPFRE Group companies other than the partners are defined as the related parties of other partners and Company management related parties in the unconsolidated financial statements and relevant explanatory footnotes

2.27 Other monetary balance sheet items

Reflected to the balance sheet with registered values.

2.28 Events after the balance sheet date

Events that arise after the balance sheet date and may affect the situation of the Company on the balance sheet date (events requiring corrections) are reflected in the financial statements. The events that do not require correction are defined in the footnotes if they are of specific importance.

2.29 New standards and interpretations not yet implemented

Standards which were issued as of 31 December 2017, but which have not been in effect yet, and which had not been put into effect in advance

Standards which have been issued but which have not been in effect yet, and which were not implemented earlier

New standards which have been issued as of the approval date of financial statements but have not been effective yet for the current reporting period and which the Company has not implemented earlier, and the related comments and changes are as follows. Unless otherwise is mentioned, the Company will make the necessary changes that will affect its financial statements and footnotes after the new standards and comments become effective.

IFRS 9 Financial Instruments (2017 version)

IFRS 9 "Financial Instruments" Standard the final version of which was published by the Public Oversight, Accounting and Auditing Standards Agency ("KGK") in January 2017 revises the existing guidelines provided in TMS 39 "Financial Instruments: Recognition and Assessment" Standard, while the procedures concerning the recognition, categorization, assessment and derecognition of the financial instruments covered by TMS 39 are now handled by IFRS 9. The last version of IFRS 9 covers not only a new expected credit loss model for the assessment of impairment concerning financial assets, but also updated practices regarding the new requirements concerning general hedging accounting, and the guidelines published under the previous versions of IFRS 9. IFRS 9 is effective for the annual accounting periods starting on January 1, 2018 and on, and is permitted to be implemented earlier. The Company effected preliminary assessment concerning the above-mentioned financial assets and liabilities assuming the implementation of IFRS 9, and does not expect a material impact on its financial statements.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.29 New standards and interpretations not yet implemented (cont'd)

New and revised standards and comments which have been issued by the International Accounting Standards Board ("IASB") but have not been issued by KGK.

New standards, comments and the changes to the International Financial Reporting Standards ("IFRS") listed below have been issued by IASB. However, these new standards, comments and changes have not yet been reflected on TFRS or issued by KGK; and therefore they are not a part of TFRS. Therefore, the standards which have been issued by IASB but have not been issued by KGK yet are referred to as IFRS or International Accounting Standards ("IAS"). The company will make the necessary changes to its financial statements and footnotes after these standards and comments become effective in TFRS.

Revisions of IFRS 4 Insurance Contracts Standard - Implementation of IFRS 9 Financial Instruments Standard alongside IFRS 4

Given the different dates of effect set for each standard, IASB applied certain revisions on IFRS 4, with a view to eliminating the doubts to arise due to the application of the new insurance contracts standard alongside IFRS 9 Financial Instruments Standard. The revisions provided insurers with two options to remove doubts faced in practice: i) transferring to other comprehensive revenues item, and reclassifying any difference between the amount reported as profit or loss under the application of IFRS 9 with respect to their financial assets, and the amount to be reported as profit or loss had IAS 39 been applied for such assets, or ii) providing a temporary and optional exemption for the application of IFRS 9 till January 1, 2021, for enterprises the operations of which are mostly related with insurance. The organizations which apply such exemption will continue to apply the existing provisions of IAS 39, with respect to financial instruments. The Company evaluates the potential impact the implementation of such changes in IFRS 4 would have on its financial statements.

IFRS 16 Leasing Transactions

On January 13, 2016, IASB published IFRS 16 "Leasing" Standard. This standard replaces the current IAS 17 "Leasing Transactions", IFRS comments 4 "Specifying Whether an Agreement Includes Leasing Transaction or Not" and IAS Comments 15 "Operational Leasing - Incentives" regulating the recognition of leasing transactions, and also led to changes on IAS 40 "Investment properties" standard. IFRS 16 cancels the dual accounting model currently applied by lessees in which financial leasing obligations are indicated in the balance sheet and operational leasing transactions are indicated off-balance sheet. Instead, it brings in a single, balance sheet-based accounting model similar to that of current financial leasing accounting for all leasing. The recognition for the lessees continues in a manner similar to the current practices. IFRS 16 will be effective for annual accounting periods starting from January 1, 2019, and early implementation is permitted for entities which started to apply the IFRS 15 "Turnover from Customer Contracts" standard. The Company evaluates the potential impact the implementation of IFRS 16 would have on its financial statements.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.29 New standards and interpretations not yet implemented (cont'd)

IFRS 17 Insurance Contracts

On May 18, 2017, IASB published the IFRS 17 Insurance Contracts standard. The first standard with international applicability for insurance contracts, IFRS 17 will make it easier for investors and other interested parties to assess the risks incurred by, profitability levels and financial state of the insurers. IFRS 17 replaced IFRS 4 which was introduced in 2004 as a provisional standard. As IFRS 4 allows the companies to recognize insurance contracts on the basis of local accounting standards, it led to the application of a wide range of accounting approaches in practice. As a result, it became difficult for the investors to compare the financial performance of otherwise comparable firms. IFRS 17 ensures consistent recognition of all insurance contracts, and provides a solution for the comparability problems caused by IFRS 4 from the perspective of both the investors and the insurance firms. According to the new standard, insurance obligations are to be recognized on the basis of current value rather than historical cost. As these information will be updated regularly, the users of financial statements will be provided more useful insights. IFRS 17 will be effective for the reporting dates starting from January 1, 2021 and on, and early implementation is permitted. The Company evaluates the potential impact the implementation of IFRS 17 would have on its financial statements.

2.30 Regulation concerning the “Circular on the Amendment of the Circular no. 2016/22 on Discounting of Net Cash Flows caused by Provision for Outstanding Claims” no. 2017/7

The circular no. 2017/7 made the discounting of net cash flows to be produced by the provisions for outstanding compensations assessed and set aside by insurance firms in accordance with insurance regulations, for General Liability and Land Vehicles Liability lines of business, in accordance with the principles specified in the circular no. 2016/22.

The details regarding the discount rates established under the said circular are described in footnote 2.20 on Provisions. According to “TAS 8: Changes and Errors in Accounting Policies, Accounting Estimates” standard, due to the fact that the mandatory discount procedure poses a change in accounting policies, the income statements for 2015 and 2016, and the balance sheet for 2016 were revised in accordance with the circular, and were provided in the reports for December 31, 2017, in a comparative manner.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

2. Summary of Significant Accounting Policies (cont'd)

2.30 Regulation concerning the “Circular on the Amendment of the Circular no. 2016/22 on Discounting of Net Cash Flows caused by Provision for Outstanding Claims” no. 2017/7 (cont'd)

The impact of the said change on financial statements is described in the following tables.

	Published Balance Sheet for December 31, 2015	Amount Adjusted in accordance with the Circular no. 2017/07	Revised Balance Sheet for December 31, 2015
H-Other Non-Current Assets (5 - Deferred Tax Assets)	17,249,084	(9,777,150)	7,471,934
E- Technical Provisions for Insurance (4- Outstanding Claims Provision - Net)	404,899,973	(48,885,751)	356,014,222
D- Previous Years' Profits	7,990,170	39,108,601	47,098,771

	Published Balance Sheet for December 31, 2016	Amount Adjusted in accordance with the Circular no. 2017/07	Revised Balance Sheet for December 31, 2016
H-Other Non-Current Assets (5 - Deferred Tax Assets)	19,830,236	(15,513,513)	4,316,723
E- Technical Provisions for Insurance (4 - Outstanding Claims Provision - Net)	772,361,220	(77,567,569)	694,793,651
D- Previous Years' Profits	7,990,170	39,108,601	47,098,771
F- Net Profit for the Period	99,655,502	22,945,454	122,600,956

	Published Income Statement for the period January 1 - December 31, 2016	Amount Adjusted in accordance with the Circular no. 2017/07	Revised Income Statement for the period January 1 - December 31, 2016
1.2- Changes in the Provisions for Outstanding Compensations (Reinsurer Share and Transferred Portion Deducted) (+/-)	(367,461,247)	28,681,818	(338,779,429)
5- Deferred Tax Assets Account (+/-)	2,143,939	(5,736,364)	(3,592,425)
F- Net Profit for the Period	99,655,502	22,945,454	122,600,956

3. Important Accounting Estimations and Provisions

In the preparation of the financial statements, the Company management is required to make assumptions and estimates that may affect the asset and liability amounts reported and that determine the probable liabilities and undertakings and income and expense amounts as of the balance sheet date. The realized results may differ from the estimates. Estimates are regularly reviewed, and the necessary corrections are made and reflected in the unconsolidated income statement when they are realized. The estimates used are mainly related to insurance outstanding claims and compensation provisions, other technical provisions and impairment of assets and these estimates and assumptions are explained in detail in the footnotes. Apart from these, the significant estimates used in the preparation of the financial statements are as follows:

Provisions for severance pay:

The Company calculated the provisions for severance pay benefits on the unconsolidated financial statements using actuarial assumptions and reflected this in its records.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

3. Important Accounting Estimations and Provisions (cont'd)

Provision for doubtful receivables:

The Company allocates provisions for doubtful receivables for the relevant intermediaries and insured that cannot make reimbursement and recourse receivables in execution or lawsuit proceedings (Footnote 12).

Deferred tax:

Deferred tax assets are recorded if it is highly probable that temporary differences and accumulated losses will be benefited by means of profiting with regard to tax. It is necessary to make important estimates and assessments regarding the taxable profits that may arise in the future while determining the amount of deferred tax assets to be registered (Footnote 21).

4. Management of Insurance and Financial Risk

Insurance Risk

The main risk to the Company's insurance policies is the claims and claim payments being higher than expected. Therefore, the Company's main objective in managing the insurance risk is to ensure that sufficient insurance provisions are available to meet these obligations.

The Company operates in elemental area and issues policies in the following main lines of business:

- Fire and natural disasters
- Transportation
- Land vehicles
- Rail vehicles
- Aircrafts
- Watercrafts
- Accident
- General liability
- Land vehicles liability
- Watercraft liability
- Aircraft liability
- General losses
- Bailment
- Financial losses
- Loan
- Legal protection
- Health

Short-term policies are issued in the marine line of business within the period of transportation, construction-assembly policies in the engineering main line of business are issued for the project duration, and 12-month policies are issued for other products.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

4. Management of Insurance and Financial Risk (cont'd) Insurance Risk (cont'd)

The main risks that the Company is required to manage are natural disasters such as earthquakes, floods, storms, etc. and fire, accident and theft risks. As there is a tariff system in these lines of business, the risks are managed through pricing and segmentation. In addition, the Company receives reinsurance support based on international general assumptions to cover claims that may arise both as a risk and as a result of a catastrophic damage.

The Company carries out the risks arising from the accident line of business using segmentation and appropriate pricing considering the geographical and human conditions.

The Company operated as a Reinsurer in the health line of business until August 1, 2011 and has been operating as a direct insurer since August 1, 2011.

Therefore, the Company manages its related risks through a broad portfolio of insurance contracts, reinsurance agreements and policy writing strategies.

The insurance guarantees given in regard to non-life insurance lines of business as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Land Vehicles	20,564,799,000	17,713,183,000
Land Vehicles Liability	6,797,734,933,000	7,964,638,772,000
Accident	20,497,959,000	23,778,918,000
Watercrafts	1,770,369,000	1,418,096,000
Aircrafts	296,904,000	215,865,000
Aircraft Liability	1,596,757,000	1,367,547,000
General Liability	22,113,945,000	19,883,969,000
Fire and Natural Disasters	246,922,626,000	191,610,604,000
General Losses	269,491,249,000	211,026,611,000
Transportation	142,954,019,000	177,101,127,000
Financial losses	1,376,623,000	609,700,000
Legal Protection	3,370,830,000	2,950,078,000
Disease/Health	1,185,088,266,000	888,595,674,000
Bailment	409,974,000	348,524,000
Non-Life Total	8,714,189,253,000	9,501,258,668,000

The claim development statements of the Company prepared as of December 31, 2017 and December 31, 2016 are included in Footnote 17.

Financial Risk Management

The principal financial instruments used by the Company are cash, fixed bank deposits, reverse repurchase agreements, share certificates and state bonds, and receivables and loans from principal operations. The Company is exposed to miscellaneous financial risks due to the financial instruments used and insurance contract liabilities. The risks arising from the instruments used are market risk, foreign currency risk, liquidity risk and loan risk. The Company management manages these risks as stated below.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

4. Management of Insurance and Financial Risk (cont'd) Financial Risk Management (cont'd)

(a) Market risk

i) Price risk

The Company is exposed to price risk as it possesses financial assets valued with the market price. The table below shows the effect of a 5% increase/(decrease) in the market prices of the shares constituting financial assets available-for-sale in the Company's portfolio on the Company's assets, provided that all other variables remain constant:

	December 31, 2017	December 31, 2016
Market price increase/(decrease)	Effect on equity	Effect on equity
5%	65,100	51,450
(5%)	(65,100)	(51,450)

ii) Interest rate risk

The interest rate risk refers to changes in the fair value or future cash flows of financial assets resulting from fluctuations in market interest rates. The interest rate risk is closely monitored by the Company through the market information review and appropriate valuation methods.

Assuming all variables remain unchanged, given the fact that the Company's portfolio as of December 31, 2017 and December 31, 2016 does not contain any variable-interest-rate financial assets, the 5% rise/(fall) in interest rates did not have any impact on the Company's assets..

iii) Exchange rate risk

The exchange rate risk arises from the Company's foreign exchange rate changes having foreign currency debt and assets and converting them into TL.

The foreign currency position of the Company as of December 31, 2017 and December 31, 2016 are as follows:

December 31, 2017	US Dollars	TL equivalent	Euro	TL equivalent	GBP	TL equivalent	TL equivalent of Other Currencies	Total TL equivalent
Cash and Cash Equivalents	21,189,131	79,923,281	6,025,268	27,207,096	-	-	11,839	107,142,216
Financial Assets	-	-	-	-	-	-	-	-
Receivables from Insurance Activities	26,613,893	100,384,944	25,476,895	115,040,920	-	-	31,834	215,457,698
Receivables from Reinsurance Activities	-	-	59,715	269,642	-	-	-	269,642
Loans	-	-	-	-	-	-	-	-
Loans to Policy Holders	-	-	-	-	-	-	-	-
Deposits and Guarantees Given	-	-	-	-	-	-	-	-
Receivables from Partners	-	-	-	-	-	-	-	-
Total Assets	47,803,024	180,308,225	31,561,878	142,517,658	-	-	43,673	322,869,556
Payables for Main Operations	12,824,717	48,373,550	8,606,557	38,862,910	56,592	287,505	-	87,523,965
Technical Provisions, Net	2,073,149	7,819,709	3,380,455	15,264,444	-	-	-	23,084,153
Deposits and Guarantees Taken	-	-	-	-	-	-	-	-
Total Liabilities	14,897,866	56,193,259	11,987,012	54,127,354	56,592	287,505	-	110,608,118
Foreign Currency Position, Net	32,905,158	124,114,966	19,574,866	88,390,304	(56,592)	(287,505)	43,673	212,261,438

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

4. Management of Insurance and Financial Risk (cont'd)

December 31, 2016	US Dollars	TL equivalent	Euro	TL equivalent	GBP	TL equivalent	TL	Total TL equivalent
							equivalent of Other Currencies	
Cash and Cash Equivalents	13,373,055	47,062,457	1,922,345	7,131,707	2,334	10,081	50,178	54,254,423
Financial Assets	-	-	-	-	-	-	-	-
Receivables from Insurance Activities	29,698,824	104,516,101	24,399,022	90,517,934	9,278	40,071	824,928	195,899,034
Receivables from Reinsurance Activities	-	-	72,621	269,415	-	-	-	269,415
Loans	-	-	-	-	-	-	-	-
Loans to Policy Holders	-	-	-	-	-	-	-	-
Deposits and Guarantees Given	-	-	-	-	-	-	-	-
Receivables from Partners	-	-	-	-	-	-	-	-
Total Assets	43,071,879	151,578,558	26,393,988	97,919,056	11,612	50,152	875,106	250,422,872
Payables for Main Operations	17,798,730	62,637,291	10,196,922	37,829,559	2,050	8,855	-	100,475,705
Technical Provisions, Net	4,203,083	14,791,490	1,994,009	7,397,576	-	-	-	22,189,066
Deposits and Guarantees Taken	-	-	-	-	-	-	-	-
Total Liabilities	22,001,813	77,428,781	12,190,931	45,227,135	2,050	8,855	-	122,664,771
Foreign Currency Position, Net	21,070,066	74,149,777	14,203,057	52,691,921	9,562	41,297	875,106	127,758,101

The table below shows the effect of a 10% value increase/(decrease) of the foreign currencies on the Company's portfolio on profit before taxes, provided that all other variables remain constant:

Currency	December 31, 2017		December 31, 2016	
	Exchange rate increase/(decrease)	Effect on the profit before taxes	Exchange rate increase/(decrease)	Effect on the profit before taxes
US Dollars	10%	12,411,497	10%	7,414,978
US Dollars	(10%)	(12,411,497)	(10%)	(7,414,978)
Euro	10%	8,839,030	10%	5,269,192
Euro	(10%)	(8,839,030)	(10%)	(5,269,192)
Other Currencies	10%	(24,383)	10%	91,640
Other Currencies	(10%)	24,383	(10%)	(91,640)

(b) Credit risk

The credit risk refers to the situation that the Company encounters due to the fact that the third parties with which the Company has mutual relations do not fulfill the obligations of the Contract in whole or in part on time. The Company tries to manage the credit risk by continuously assessing the reliability of the parties to whom it relates. The Company manages the credit risk by taking collateral when deemed necessary with the area of activity in consideration.

The financial assets subjected to the credit risk within the financial instruments of the Company are generally cash and cash equivalents, except for the cash account, state bonds, and receivables from main operations and the receivables in the other assets of the Company that bear credit risk. As of December 31, 2017, the total sum of such financial instruments representing maximum credit risk is TRY 3,368,305,474 (TRY 6,567,257 includes the other receivable balance that includes the credit risk, as explained in footnote no. 47.1) (December 31, 2016: TRY 2,808,530,023).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

4. Management of Insurance and Financial Risk (cont'd)

(c) Liquidity risk

Liquidity risk is the risk of a Company of failing to fulfill its funding needs. The Company periodically measures and evaluates the liquidity risk within the framework of compliance of the group of which it is a part with risk policies. As of December 31, 2017 and December 31, 2016, the maturity breakdown of the Company's commercial debts and financial payables are as follows based on the maturity dates:

December 31, 2017	Less than 1 year	1 year - 5 years	Longer than 5 years	Total
Payables for Reinsurance Activities	131,313,376	-	-	131,313,376
Payables for Insurance Activities	148,628,445	-	-	148,628,445
Other Payables	118,474,169	-	-	118,474,169
	398,415,990	-	-	398,415,990
December 31, 2016	Less than 1 year	1 year - 5 years	Longer than 5 years	Total
Payables for Reinsurance Activities	132,446,397	-	-	132,446,397
Payables for Insurance Activities	129,738,171	-	-	129,738,171
Other Payables	110,564,956	-	-	110,564,956
	372,749,524	-	-	372,749,524

Capital Management

The main capital management policies of the Company are specified below:

- Conforming to the capital adequacy conditions determined by the Undersecretariat of Treasury.
- Ensuring the continuity of the operations in accordance with the continuity principles of the Company.

In accordance with the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Insurance, Reinsurance and Retirement Companies" published in Official Gazette No. 26761 dated January 19, 2008 by the Undersecretariat of Treasury, the required shareholders' equity was determined as TRY 706,468,524 (December 31, 2016: TRY 691,738,843) in the calculations made by the Company as of December 31, 2017. As of December 31, 2017, the share capital of the Company is TRY 876,931,074 (December 31, 2016: TRY 716,211,147) and there is no capital deficit.

5. Department Information

Explained in footnote no. 2.3.

6. Tangible Fixed Assets

6.1 All depreciation, amortization and depletion expenses of the current period: TRY 10,177,930 (31 December, 2016 - TRY 4,970,591).

6.1.1 Depreciation expenses: TRY 6,327,208 (31 December 2016 - TRY 3,505,533).

6.1.2 Redemption and depletion expenses: TRY 3,850,722 (31 December 2016 - TRY 1,465,058).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

6. Tangible Fixed Assets (cont'd)

6.2 Changes made in increase (+) or decrease (-) depreciation calculation methods that have caused variations in the depreciation costs of the period: None (December 31, 2016 - None).

6.3 Tangible fixed asset movements in current period:

6.3.1 Cost of purchased, manufactured or constructed tangible fixed assets: TRY 13,136,396 (December 31, 2016 - TRY 27,083,699).

6.3.2 Cost of tangible fixed assets sold or scrapped: TRY 16,048,721 (December 31, 2016 - TRY 1,930,169).

6.3.3 Valuation increases occurring in the current period: None (December 31, 2016 - None).

6.3.4 The nature, total amount, starting-ending dates and completion level of the ongoing investments: None (December 31, 2016 - None).

Tangible fixed assets activity statement:

	January 1, 2017	Additions	Subtractions	Transfers/Corrections	December 31, 2017
Cost:					
Real Estates for Use	19,575,808	2,657,156	(5,234,538)	165,055,943	182,054,369
Motor Vehicles	2,944,754	356,797	(1,104,850)	-	2,196,701
Fixtures and Installments	22,095,049	3,297,943	(5,745,614)	1,419,688	21,067,066
Special Cost Prices	4,464,784	4,446,865	(3,963,719)	-	4,947,930
Advances Regarding Tangible Assets	167,014,053	1,343,067	-	(166,475,631)	1,881,489
Total Cost	216,094,448	12,101,828	(16,048,721)	-	212,147,555
Accumulated Depreciation:					
Real Estates for Use	(3,212,804)	(2,266,067)	1,539,476	-	(3,939,395)
Motor Vehicles	(2,571,399)	(186,399)	1,026,297	27,833	(1,703,668)
Fixtures and Installments	(13,094,603)	(3,110,909)	5,312,204	(94,809)	(10,988,117)
Special Cost Prices	(3,622,796)	(749,470)	3,800,232	(5,500)	(577,534)
Total Accumulated Depreciation	(22,501,602)	(6,312,845)	11,678,209	(72,476)	(17,208,714)
Net Registered Value	193,592,846				194,938,841

(*) On February 28, 2017, the Company sold its building in İzmir, for a price of TRY 9,700,000.

(**)As the Company moved into its new headquarters, these advance figures were transferred to the accounts for real estate for use, and fixtures and installations.

	January 1, 2016	Additions	Subtractions	Transfers/Corrections	December 31, 2016
Cost:					
Real Estates for Use	20,515,185	-	(939,377)	-	19,575,808
Motor Vehicles	3,791,341	-	(846,587)	-	2,944,754
Fixtures and Installments	14,065,146	8,174,108	(144,205)	-	22,095,049
Special Cost Prices	3,911,752	553,032	-	-	4,464,784
Advances Regarding Tangible Assets	148,755,494	18,258,559	-	-	167,014,053
Total Cost	191,038,918	26,985,699	(1,930,169)	-	216,094,448
Accumulated Depreciation:					
Real Estates for Use	(3,061,125)	(500,564)	348,885	-	(3,212,804)
Motor Vehicles	(2,895,544)	(369,609)	723,142	(29,388)	(2,571,399)
Fixtures and Installments	(11,115,228)	(2,037,563)	34,537	23,651	(13,094,603)
Special Cost Prices	(3,036,732)	(591,801)	-	5,737	(3,622,796)
Total Accumulated Depreciation	(20,108,629)	(3,499,537)	1,106,564	-	(22,501,602)
Net Registered Value	170,930,289				193,592,846

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

6. Tangible Fixed Assets (cont'd)

There is a mortgage amounting to 800 TL in favor of the Undersecretariat of Treasury on real estates for use.

The Company does not have any tangible fixed assets acquired as the lessee in financial leasing transactions.

The Company has reflected a finance lease expense amounting to TRY 11,214,831 in the income statement as of December 31, 2017 (December 31, 2016 - TRY 7,345,135).

7. Investment Properties

	January 1, 2017	Additions	Subtractions	Adjustments	December 31, 2017
Cost:					
Plot	55,573	-	-	-	55,573
Buildings	187,463	1,034,568	-	-	1,222,031
Buildings Retained with Sale Purposes	-	-	-	-	-
Total Cost	243,036	1,034,568	-	-	1,277,604
Provisions for Accumulated Depreciation and Impairment					
Buildings-Depreciation	(64,599)	(14,363)	-	-	(78,962)
Building and Plots - Provision for Impairment	-	-	-	-	-
Total	(64,599)	(14,363)	-	-	(78,962)
Net Book Value	178,437				1,198,642

	January 1, 2016	Additions	Subtractions	Adjustments	December 31, 2016
Cost:					
Plot	55,573	-	-	-	55,573
Buildings	89,463	98,000	-	-	187,463
Buildings Retained with Sale Purposes	-	-	-	-	-
Total Cost	145,036	98,000	-	-	243,036
Provisions for Accumulated Depreciation and Impairment					
Buildings-Depreciation	(58,603)	(5,996)	-	-	(64,599)
Building and Plots - Provision for Impairment	-	-	-	-	-
Total	(58,603)	(5,996)	-	-	(64,599)
Net Book Value	86,433	92,004			178,437

Furthermore, in the accounting period that ended on December 31, 2017, the Company registered rent revenues of TRY 2,205,086 (December 31, 2016: TRY 619,400) on the basis of investment properties.

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

8. Intangible Fixed Assets

	January 1, 2017	Additions	Subtractions	Transfers / Adjustments	December 31, 2017
Cost:					
Rights	14,237,080	12,615,390	(2,056,097)	-	24,796,373
Ongoing Investments	4,813,711	336,903	-	-	5,150,614
Total Cost	19,050,791	12,952,293	(2,056,097)	-	29,946,987
Accumulated Depreciation:					
Rights	(6,691,520)	(3,850,722)	1,932,356	(14,063)	(8,623,949)
Total Depreciation	(6,691,520)	(3,850,722)	1,932,356	(14,063)	(8,623,949)
Net Book Value	12,359,271				21,323,038

	January 1, 2016	Additions	Subtractions	Transfers / Adjustments	December 31, 2016
Cost:					
Rights	11,968,455	1,426,078	-	842,547	14,237,080
Ongoing Investments	2,125,116	3,531,142	-	(842,547)	4,813,711
Total Cost	14,093,571	4,957,220	-	-	19,050,791
Accumulated Depreciation:					
Rights	(5,226,462)	(1,465,058)	-	-	(6,691,520)
Total Depreciation	(5,226,462)	(1,465,058)	-	-	(6,691,520)
Net Book Value	8,867,109				12,359,271

9. Investments in Affiliates

	December 31, 2017			December 31, 2016		
	Nominal value	Inflation/ price difference	Total	Nominal value	Inflation/ price difference	Total
Türkiye Genel Sigorta A.Ş. Retirement and Social Support Fund for Officials and Servants Other	1 -	11,192 -	11,193 -	1 -	11,192 -	11,193 -
Long-Term Securities	1	11,192	11,193	1	11,192	11,193
Tarım Sigortaları Havuz İşletmesi A.Ş. (Tarsim)	346,211	764	346,975	220,125	764	220,889
Affiliates	346,211	764	346,975	220,125	764	220,889
MAPFRE Yaşam Genel Servis Yedek Parça Dağıtım Tic. A.Ş.	11,940,000 2,428,025	8,876,506 -	20,816,506 2,428,025	11,940,000 2,428,025	8,876,506 -	20,816,506 2,428,025
Subsidiaries	14,368,025	8,876,506	23,244,531	14,368,025	8,876,506	23,244,531
Total	14,714,237	8,888,462	23,602,699	14,588,151	8,888,462	23,476,613

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

9. Investments in Affiliates (cont'd)

	December 31, 2017		December 31, 2016	
	Affiliate Ratio	Place of Incorporation	Affiliate Ratio	Place of Incorporation
Tarsim (*)	4.00%	Turkey	4.17%	Turkey
MAPFRE Yaşam	99.50%	Turkey	99.50%	Turkey
Genel Servis	51.00%	Turkey	51.00%	Turkey

(*) The Company registers its Tarsim investment, in which it holds a 4% share, within the affiliates account.

The summarized financial information of the affiliates and subsidiaries is provided in note 45.2.

10. Reinsurance Assets

The information regarding the Company's reinsurance contracts is included in footnote 2.14.

As of December 31, 2017 and December 31, 2016, the amounts in the relevant balance sheet and income statement of the Company regarding the reinsurance operations arising from the income statement are as follows:

	December 31, 2017	December 31, 2016
Reinsurer Shares in Provisions for Unearned Premiums (Note 17)	290,224,267	206,065,978
SSI Shares in Provisions for Unearned Premiums (Note 17)	52,546,144	80,191,424
Reinsurer Shares in Provisions for Outstanding Compensations (Note 17)	438,227,374	117,402,531
Reinsurer Shares in Mathematical Provisions (Note 17)	-	-
Reinsurer Shares in Reserve for On-Going Risks (Note 17)	656,792	621,260
Reinsurer Shares for Balancing Provision (Note 17)	104,293,914	81,396,619
Current Account of Reinsurer Companies (Net)	(103,630,182)	(126,600,111)
Payables to TCIP	(1,694,592)	(1,563,673)
Payables to Tarsim	(25,454)	(15,735)
Payables to SSI Regarding Treatment Expenses	(25,601,604)	(45,063,103)
Reinsurer Shares in Recourse and Salvage Income	(117,003)	(183,688)
Overall Reinsurance Assets	754,879,656	312,251,502

	January 1 - December 31, 2017	January 1 - December 31, 2016
Premiums Transferred to Reinsurers	(586,282,347)	(427,443,216)
Premiums Transferred to SSI	(106,782,989)	(147,904,405)
Commission Taken from Reinsurers	103,201,001	83,475,348
Reinsurer Shares in Paid Damages	121,602,539	92,674,573
Reinsurer Shares in Outstanding Claims	320,824,843	21,705,090
Reinsurer Shares in Provisions for Unearned Premiums	84,158,289	34,866,341
SSI Shares in Provisions for Unearned Premiums	(27,645,280)	17,348,595
Reinsurer Shares in Mathematical Provisions	-	-
Reinsurer Shares in Reserve for On-Going Risks	35,532	621,260
Reinsurer Shares in Balancing Provision	22,897,295	20,093,574
Reinsurer Shares in Recourse Income	(4,423,639)	(8,977,045)
Total Reinsurance Expenses	(72,414,756)	(313,539,885)

The detailed explanations regarding reinsurance contracts are provided in footnote no. 2.14.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

11. Financial Assets

11.1 11.1 Sub-classifications of items presented in accordance with the activities of the enterprise:

Financial Assets	December 31, 2017			December 31, 2016		
	Blocked	Unblocked	Total	Blocked	Unblocked	Total
<u>Financial Assets Available-for-Sale</u>						
State Bonds	219,807,644	428,606,295	648,413,939	201,439,825	104,645,583	306,085,408
Private Sector Bonds	-	11,662,914	11,662,914	-	7,860,360	7,860,360
Repurchase	-	-	-	-	-	-
Stocks	-	1,302,001	1,302,001	-	1,029,001	1,029,001
<u>Financial Investments Whose Risks Belong To Life Policy Holders</u>						
Time-Deposit Account	-	-	-	-	-	-
State Bonds	-	-	-	-	-	-
Total	219,807,644	441,571,210	661,378,854	201,439,825	113,534,944	314,974,769

The activities of the financial assets available-for-sale for the periods ending on December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	314,974,769	217,954,348
Purchases	458,320,743	311,227,009
Sales	(116,439,440)	(211,856,610)
Transfers within the Period	-	-
Unrealized Interest Income Reflected in Income Statement	13,548,605	(775,017)
Unrealized Income/(Loss) Reflected in Equity Changes Statement - Net	(9,025,823)	(1,574,961)
End of the Period	661,378,854	314,974,769

The Company does not have any financial assets for trading purposes as of December 31, 2017 (December 31, 2016 - None). The Company does not have any financial assets for holding till maturation as of December 31, 2017 (December 31, 2016 - None).

The maturity analysis of the financial assets are as follows:

December 31, 2017	Current	0-3 months	3-6 months	6 months - 1 year	1 year - 3 years	Longer than 3 years	Total
<u>Financial Assets Available-for-Sale</u>							
Stocks	1,302,001	-	-	-	-	-	1,302,001
State Bonds	-	-	-	-	643,277,861	5,136,078	648,413,939
Private Sector Bonds	-	6,419,914	-	5,243,000	-	-	11,662,914
Total	1,302,001	6,419,914	-	5,243,000	643,277,861	5,136,078	661,378,854
<u>December 31, 2016</u>							
December 31, 2016	Current	0-3 months	3-6 months	6 months - 1 year	1 year - 3 years	Longer than 3 years	Total
<u>Financial Assets Available-for-Sale</u>							
Stocks	1,029,001	-	-	-	-	-	1,029,001
State Bonds	-	12,353,280	90,730,074	-	197,628,357	5,373,697	306,085,408
Private Sector Bonds	-	-	7,860,360	-	-	-	7,860,360
Total	1,029,001	12,353,280	98,590,434	-	197,628,357	5,373,697	314,974,769

All financial assets of the Company are in TRY as of December 31, 2017 and December 31, 2016.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

11. Financial Assets (cont'd)

11.2 Securities other than the stocks issued within the year: None.

11.3 Securities representing the borrowing redeemed within the year: None.

11.4 Information indicating the values of the securities and financial fixed assets that are shown at the fair value in the balance sheet compared to stock exchange rates and the values of securities and financial fixed assets that are shown at the stock exchange rates compared to cost values:

Securities

	December 31, 2017	
	Cost value	Registered value (Stock rate)
Financial Assets Available-for-Sale		
State Bonds	641,197,909	648,413,939
Private Sector Bonds	11,350,000	11,662,914
Repurchase	-	-
Stocks	1,628,794	1,302,001
Total	654,176,703	661,378,854

	December 31, 2016	
	Cost value	Registered value (Stock rate)
Financial Assets Available-for-Sale		
State Bonds	303,129,702	306,085,408
Private Sector Bonds	7,840,160	7,860,360
Repurchase	-	-
Stocks	1,628,794	1,029,001
Total	312,598,656	314,974,769

Financial Fixed Assets

The financial fixed assets monitored with cost value do not have stock exchange rates.

11.5 Sums of securities issued by partnerships, subsidiaries and affiliate partnerships of the operation that fall within the securities and long-term securities group, and partnerships that have issued these: None.

11.6 Value increases in the financial assets over the last three years:

	Change in the Value Increase	Total Value Increase
2017	(7,049,579)	(8,876,636)
2016	(758,922)	(1,827,057)
2015	(1,877,968)	(1,068,135)
Total	(9,686,469)	(11,771,828)

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

11. Financial Assets (cont'd)

11.7 Total mortgage or collateral amounts on the active assets:

	December 31, 2017	December 31, 2016
Securities Portfolio	258,017,575	260,620,250
Real Estate Mortgages	800	800
Total	258,018,375	260,621,050

As of December 31, 2017, the portion amounting to TRY 219,977,575 of the blockages on the securities portfolio and the portion amounting to TRY 800 of the mortgage bonds are on behalf of the Turkish Undersecretariat of Treasury (December 31, 2016: TRY 203,498,708). The Company calculated the blocked securities according to the valuation conditions stated in Article 6 of the "Regulation on the Financial Structures of Insurance, Reinsurance and Retirement Companies" published in Official Gazette No. 26606 dated August 7, 2007 in accordance with the Insurance Law. The portion amounting to TRY 540,000 of the blockages on the securities portfolio is on behalf of Tarım Sigortalı Havuz İşletmesi A.Ş. (December 31, 2016: TRY 351,000).

11.8 Fair value of financial instruments

Fair value is the value an asset may be exchanged for between the knowledgeable and willing parties within transactions that occur in conformity with the market conditions or at which a liability can be fulfilled.

The Company has determined the estimated fair values of the financial instruments using the existing market information and appropriate valuation methods. However, evaluating market information and estimating fair value requires interpretation and judgment. Consequently, the estimates presented herein are not indicative of the amounts the Company could achieve in a current market transaction.

Financial assets shown at fair value of the Company are presented in three separate categories in terms of valuation methods in the table below. "Category 1" refers to financial assets that are valued according to fair value (market data) obtained from organized markets, "Category 2" represents the financial assets valued according to comparable real transactions, and "Category 3" represents the financial assets valued according to the current value of future cash flows.

	December 31, 2017			
	Category 1	Category 2	Category 3	Total
Financial Assets Available-for-Sale				
State Bonds	648,413,939	-	-	648,413,939
Private Sector Bonds	6,419,911	5,243,003	-	11,662,914
Repurchase	-	-	-	-
Stocks	1,302,001	-	-	1,302,001
Total	656,135,851	5,243,003	-	661,378,854

	December 31, 2016			
	Category 1	Category 2	Category 3	Total
Financial Assets Available-for-Sale				
State Bonds	306,085,408	-	-	306,085,408
Private Sector Bonds	2,840,160	5,020,200	-	7,860,360
Repurchase	-	-	-	-
Stocks	1,029,001	-	-	1,029,001
Total	309,954,569	5,020,200	-	314,974,769

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

12. Receivables

12.1 Classification of the receivable as the receivables from commercial customers, receivables from related parties, receivables for advance payments (payments for future months and years) and others:

	December 31, 2017	December 31, 2016
Current Receivables		
<u>Receivables from Insurance Activities</u>		
Receivables from Policy Holders	39,162,742	39,434,501
Receivables from Intermediaries	661,864,877	609,117,336
Recourse and Salvage Receivables	16,340,306	21,454,822
Bank-Guaranteed Credit Card Receivables	43,152,724	117,595,074
Receivables from Insurance Companies	7,735	7,735
Receivables from Reinsurance Companies	-	-
Other Receivables	-	-
Rediscount (-)	(384,219)	(671,161)
	760,144,165	786,938,307
<u>Receivables from Reinsurance Activities</u>		
Receivables from Reinsurance Activities	27,385,202	5,845,243
	27,385,202	5,845,243
<u>Deposits at Insurance and Reinsurance Companies</u>		
Deposits at Insurance and Reinsurance Companies	61,739	59,322
	61,739	59,322
<u>Loans to Policy Holders (advance loans)</u>		
Loans to Policy Holders (advance loans)	-	-
	-	-
<u>Provisions for the Receivables from Insurance Activities</u>		
Legal Receivables from Main Activities	163,346,391	139,962,529
Provisions for the Legal Receivables from Main Activities	(163,346,391)	(139,962,529)
Provisions for the Receivables from Insurance Activities (*)	(2,748,905)	(3,245,592)
	(2,748,905)	(3,245,592)
Non-Current Receivables		
Recourse and Salvage Receivables	-	-
Provisions for Recourse and Salvage Receivables	-	-
Receivables from Agencies	-	-
Provisions for Receivables from Agencies	-	-
Other Doubtful Receivables	-	-
Provision for Other Doubtful Receivables	-	-
Total	784,842,201	789,597,280

(*) The Company allocated provisions for the recourse receivables for which six months (receivables from insurance companies) have passed since the payment date of the claim providing a basis for the recourse receivable and four months have passed (from real and other corporate bodies) in accordance with the provisions set out in the Undersecretariat of Treasury's Communiqués No. 2010/16 and 2011/1 dated September 20, 2010 and January 14, 2011. As of December 31, 2017, the amount of recourse receivable is TRY 2,748,905 [December 31, 2016 - TRY 3,245,592].

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

12. Receivables (cont'd)

The details regarding other miscellaneous receivables and expenses for future months are provided in footnote 47.

The activity table for the provision for legal receivables from main activities is as follows:

	January 1- December 31, 2017	January 1- December 31, 2016
Beginning of the Period	139,962,529	96,232,824
Classifications	-	-
Additional Allocated Provision	38,647,150	53,324,519
Released Provision	(2,839,516)	-
Collection	(12,423,772)	(9,594,814)
End of the Period	163,346,391	139,962,529

As of December 31, 2017 and December 31, 2016, the forward and retrospective maturation of receivables from undue and overdue insurance operations, respectively, are as follows:

Undue Receivables	December 31, 2017	December 31, 2016
0-90 days	188,162,227	313,422,052
91-180 days	285,691,180	274,672,598
181-270 days	125,182,652	67,095,236
271-360 days	52,381,849	29,609,152
More than 360 days	42,684,955	28,758,821
Total	694,102,863	713,557,859

Overdue Receivables	December 31, 2017	December 31, 2016
Overdue by 0-90 days	30,103,689	33,223,976
Overdue by 90-180 days	5,089,463	7,729,046
Overdue by 180-270 days	2,246,436	8,337,473
Overdue by 270-360 days	1,291,848	1,559,249
Overdue by more than 360 days	27,309,866	22,530,704
Total(*)	66,041,302	73,380,448

(*) The Company has a total collateral amounting to TRY 7,667,010 for the overdue receivable for which no provisions have been allocated as of December 31, 2017 (December 31, 2016 - TRY 7,367,542).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

12. Receivables (cont'd)

12.2 Receivable-payable relation of the establishment with partners, affiliates and subsidiaries:

	December 31, 2017			
	Receivables		Payables	
	Commercial	Non-commercial	Commercial	Non-commercial
1) Partners				
MAPFRE International S.A.	-	60,785,342	-	107,489
Other	-	-	-	-
2) Subsidiaries				
MAPFRE Genel Yaşam Sigorta A.Ş.	65,705	-	241,752	-
Genel Servis Yedek Parça Dağıtım Tic.A.Ş.	-	-	153,314	-
3) Other related parties				
MAPFRE Re Compania Reaseguros S.A.	-	-	-	-
MAPFRE Empresas Comp. De Seguro	-	-	-	-
MAPFRE Global	-	-	-	-
MAPFRE Asistencia SA	-	-	-	-
Tur Asist	-	-	2,914,943	-
MAPFRE Tech	-	-	-	-
MAPFRE Soft	-	-	-	-
Fundacion MAPFRE	-	29,951	-	-
MAPFRE S.A.	-	-	-	-
Gen. Ins. Ret. Fund	101,502	339,582	-	32,299
Other	-	1,291,855	-	-
4) Board of Directors				
Board of Directors	-	-	-	-
Total	167,207	62,446,730	3,310,009	139,788

	December 31, 2016			
	Receivables		Payables	
	Commercial	Non-commercial	Commercial	Non-commercial
1) Partners				
MAPFRE International S.A.	17,237	-	-	82,942
Other	-	-	-	-
2) Subsidiaries				
MAPFRE Genel Yaşam Sigorta A.Ş.	218,594	-	27,046	-
Genel Servis Yedek Parça Dağıtım Tic.A.Ş.	-	-	30,263	-
3) Other related parties				
MAPFRE Re Compania Reaseguros S.A.	-	-	40,194,806	-
MAPFRE Empresas Comp. De Seguro	262,635	-	-	-
MAPFRE Global	-	-	30,083,641	-
MAPFRE Asistencia SA	-	-	1,697,096	-
Tur Asist	-	-	1,391,717	-
MAPFRE Tech	-	-	-	1,300,115
MAPFRE Soft	-	-	-	810,676
Fundacion MAPFRE	-	33,194	-	-
MAPFRE S.A.	-	-	122,022	-
Gen. Ins. Ret. Fund	-	190,394	-	-
Other	-	729,637	-	153,146
4) Board of Directors				
Board of Directors	-	-	-	-
Total	498,466	953,225	73,546,591	2,346,879

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
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12. Receivables (cont'd)

12.3 Total amount of mortgages and other collateral purchased for receivables:

	December 31, 2017	December 31, 2016
Mortgage bonds purchased	27,365,009	27,795,509
Cash	9,875,125	8,369,580
Guarantee letters purchased	28,163,537	174,328,826
Other warranties and bailments	2,174,989	2,079,133
Total	67,578,660	212,573,048

12.4 Receivables and payables denominated in foreign currencies with no foreign exchange guarantees, separate foreign currency amounts within assets and TL conversion rates:

Indicated with the conversion rates in footnote 4 (a) (iii).

13. Derivative Financial Instruments

None (December 31, 2016 - None).

14. Cash and Cash Equivalents

The cash and cash equivalents providing the basis for the cash flow statement for the period ending on December 31, 2017 are shown in footnote 2.12.

The Company owns a term deposit amounting to TRY 37,500,000 blocked in favor of the Turkish Undersecretariat of Treasury as of December 31, 2017 (December 31, 2016: TRY 58,500,000).

The maturity of the term deposits of the Company is between 60 days and 197 days as of the balance sheet date (December 31, 2016 - between 35 days and 185 days). The interest rates of the term deposits on a foreign currency basis are as follows:

	December 31, 2017	December 31, 2016
Foreign Currency/TL	Annual rate of interest (%)	Annual rate of interest (%)
TL	11.90-13.64	10.60-11.75
Euro	1.25-2.25	1.30
US Dollars	3.40-3.80	2.80-3.45

The values of cash and cash equivalents on a foreign currency basis are indicated in footnote no. 4 (a) (iii).

15. Capital

15.1 Distributions to partners; the amount of transactions made by the organization with partners and the transactions made by the partners among themselves:

In accordance with the decision taken at the Ordinary General Assembly Meeting dated June 30, 2017, the dividend amounting to TRY 31,741,978, which is attributable to shareholders and founding dividend shareholders, was paid to the shareholders on April 24, 2017. On December 21, 2017, a figure of TRY 60,940,917 was paid as advance dividend to shareholders, from the profits for year 2017, through a Board of Directors resolution.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

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15. Capital (cont'd)

15.2 Legal reserves

According to the Turkish Commercial Code, the legal reserves are divided into the first and the second legal reserves. In accordance with the Turkish Commercial Code, the first legal reserve is allocated out of the statutory net profit at the rate of 5% until the total reserve reaches 20% of the paid-in/issued capital of the company. The second legal reserve is 10% of the profit exceeding 5% of the paid-in/issued capital. According to the Turkish Commercial Code, the legal reserves can only be used to clarify losses unless they exceed 50% of the paid-in/issued capital; it is not possible to use them in any other way.

The activities of the legal reserves within the period are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	68,679,287	63,756,757
Transfer from Last Year's Profit	4,969,294	4,922,530
End of the Period	73,648,581	68,679,287

Financial asset valuation:

Unrealized gains and losses arising from changes in the fair value of financial assets available-for-sale and tax effects are monitored in equity under "Financial Asset Valuation".

The activities of the financial asset valuation amount within the accounting period are as follows. Such amounts are shown net of deferred tax effect in equity.

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	(1,827,057)	(1,068,135)
Fair Value Change and Effect of Sales	(9,331,167)	(1,196,136)
Deferred Value Tax Regarding Fair Value Increase (note 21)	2,281,588	437,214
Transfer from the Current Period Corporate Tax Regarding the Fair Value Increase (note 35)	-	-
End of the Period	(8,876,636)	(1,827,057)

Other profit reserves:

Other Profit Reserves in the equity account amounting to TRY 25,109,988 as of December 31, 2017 and December 31, 2016 consist of the Earthquake Claim Provisions in the balance sheet as of December 31, 2006 and the income obtained from these provisions before June 14, 2007 and monitored within these provisions.

Other capital reserves:

None.

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
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15. Capital (cont'd)

Special funds

75% of the profits arising from the sale of participation shares and real estates retained for at least two years are tax exempted, provided that they are added to the capital as stipulated in the Corporate Tax Law or they are kept as equity for five years.

As of December 31, 2017, the balance of the special funds account is TRY 45,842,921. TRY 48,404,938 (December 31, 2016: TRY 48,135,306) of this balance corresponds to the amount obtained from the real estate sales and exempted from the corporate tax in accordance with Article 511/e of the Corporate Tax Law corresponding to 75% of the profit and the amount deemed to be transferred to the special funds account in the liabilities of the balance sheet in accordance with the same article of the aforementioned law. In addition, the amount of TRY 2,590,867, which is the effect of the severance pay, actuarial losses and deferred income tax (December 31, 2016: TRY 1,819,951) is monitored in the special funds account.

15.3 Capital activities

As of December 31, 2017 and December 31, 2016, the paid-in capital of the Company consists of 350,000,000 shares with the unit nominal value of TRY 1.

Other detailed information regarding the company capital is included in the footnote 2.13.

15.4 Capital adequacy

In accordance with the "Regulation on the Amendment to the Regulation on Measurement and Evaluation of the Capital Adequacy of Insurance, Reinsurance and Retirement Companies" published in the Official Gazette No. 27156 dated January 1, 2009 by the Undersecretariat of Treasury, the calculated capital adequacy results of the Company are provided in the table below.

	December 31, 2017	December 31, 2016
Accepted capital	876,931,074	716,211,147
The required amount of equity for the Company	706,468,524	691,738,843
Capital Adequacy Result	170,462,550	24,472,304

16. Other Provisions and Capital Constituent of the Optional Participation

The information regarding other reserves in the equity is included in footnote 15.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

17. Insurance Obligations and Reinsurance Assets

17.1 The collateral amounts established for the life and non-life lines of business based on the collateral amounts and assets required to be established by the Company for life and non-life lines of business:

	December 31, 2017	December 31, 2016
The collateral amount required to be established for non-life lines of business	236,289,506	231,379,614
The collateral amount established for non-life lines of business (*)	257,477,575	260,269,250

(*) Based on the Article 4 of the "Regulation on the Financial Structures of Insurance, Reassurance and Retirement Companies" published in Official Gazette No. 26606 dated August 7, 2007 in accordance with the Insurance Law, the minimum guarantee fund for insurance companies and retirement companies operating in life and personal accident lines of business shall be no less than one third of the sum of the minimum incorporation capital. The minimum guarantee fund for non-life insurance branches is established as collateral during the capital adequacy calculation period. The amount of the collateral required to be established and the amount of the collateral established for the financial statements of the Company dated December 31, 2017 are stated in the table above.

17.2 The Company's number of life policies and the number of allocated and current policy holders and mathematical provisions: None (December 31, 2016 - None).

17.3 Insurance collateral amount granted to non-life policy holders based on the lines of business: Explained in footnote no. 4.

17.4 Retirement investment funds created by the Company and unit prices: None (December 31, 2016 - None).

17.5 Number and amounts of participation documents in the portfolio and participation documents in transition: None (December 31, 2016 - None).

17.6 Portfolio amounts of the personal retirement and group retirement participants entering, leaving, canceled, or current within the period per quantity: None (December 31, 2016 - None).

17.7 Valuation methods used in calculating the dividend in participating life insurances: None (December 31, 2016 - None).

17.8 Personal and corporate allocations for the gross and net participation of the personal retirement participants newly entered in the period: None (December 31, 2016 - None).

17.9 Personal and corporate allocations of the gross and net participation for the personal retirement participants from other companies in the period: None (December 31, 2016 - None).

17.10 Personal and corporate allocations of the gross and net participation of the personal retirement participants switching to personal retirement from the life portfolio of the Company in the period: None (December 31, 2016 - None).

17.11 Personal and corporate allocations of the gross and net participation of the personal retirement participants leaving the Company portfolio and switching to another company or not, or both, in the period: None (December 31, 2016 - None).

17.12 Personal and corporate allocations of the gross and net premium amounts for policy holders with life insurance newly entered in the period: None (December 31, 2016 - None).

17.13 Personal and corporate allocations of the provisions of the gross and net premium amounts for policy holders with life insurance leaving the portfolio in the period: None (December 31, 2016 - None).

17.14 Dividend distribution to life insurance policy holders in the period: None (December 31, 2016 - None).

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

17. Insurance Obligations and Reinsurance Assets (cont'd)

17.15 Amounts incurring due to insurance policies:

	December 31, 2017	December 31, 2016
Gross Insurance Technical Provisions		
Provisions for Unearned Premiums	1,305,438,153	1,413,046,017
Provisions for Outstanding Claims and Compensations	1,367,337,226	812,196,182
Actuarial Mathematical Provisions	-	-
Dividend Provisions for Life	-	-
Reserve for On-Going Risks	1,521,355	753,762
Provisions for Bonuses and Discounts	19,910,583	14,580,132
Balancing Provisions	160,091,438	124,522,130
Total	2,854,298,755	2,365,098,223
Reinsurer Shares in Technical Provisions for Insurance		
Provisions for Unearned Premiums (note 10)	(290,224,267)	(206,065,978)
SSI Shares in Provisions for Unearned Premiums (note 10)	(52,546,144)	(80,191,424)
Provisions for Outstanding Claims and Compensations (note 10)	(438,227,374)	(117,402,531)
Life Mathematical Provisions	-	-
Dividend Provisions for Life	-	-
Reserve for On-Going Risks	(656,792)	(621,260)
Provisions for Bonuses and Discounts	-	-
Balancing Provisions	(104,293,914)	(81,396,619)
Total	(885,948,491)	(485,677,812)
Net Insurance Technical Provisions		
Provisions for Unearned Premiums	962,667,742	1,126,788,615
Provisions for Outstanding Claims and Compensations	929,109,852	694,793,651
Life Mathematical Provisions	-	-
Dividend Provisions for Life	-	-
Reserve for On-Going Risks	864,563	132,502
Provisions for Bonuses and Discounts	19,910,583	14,580,132
Balancing Provisions	55,797,524	43,125,511
Total	1,968,350,264	1,879,420,411

Activity table of the outstanding claims reserve in the accounting period:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Beginning of the Period	812,196,182	(117,402,531)	694,793,651	451,711,663	(95,697,441)	356,014,222
Paid Claims	(1,521,693,329)	121,602,539	(1,400,090,790)	(1,277,509,852)	92,674,573	(1,184,835,279)
Outstanding Claims in the Current Period	2,076,834,373	(442,427,382)	1,634,406,991	1,637,994,371	(114,379,663)	1,523,614,708
End of the Period	1,367,337,226	(438,227,374)	929,109,852	812,196,182	(117,402,531)	694,793,651
	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Claims Incurred and Reported	825,710,236	(367,638,175)	458,072,061	487,948,844	(95,598,844)	392,350,000
Claims Incurred but not Reported	541,626,990	(70,589,199)	471,037,791	324,247,338	(21,803,687)	302,443,651
End of the Period	1,367,337,226	(438,227,374)	929,109,852	812,196,182	(117,402,531)	694,793,651

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as of December 31, 2017 (cont'd)

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17. Insurance Obligations and Reinsurance Assets (cont'd)

Activity table of the provision for unearned premiums in the accounting period:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Beginning of the Period	1,413,046,017	(286,257,402)	1,126,788,615	1,151,391,343	(234,042,466)	917,348,877
Increase/(decrease)						
-Provisions for Unearned Premiums in the Current Period	1,256,810,401	(307,942,401)	948,868,000	1,379,033,036	(265,657,253)	1,113,375,783
- Past Years' Provisions for Unearned Premiums	(1,364,418,265)	251,429,392	(1,112,988,873)	(1,117,378,362)	213,442,317	(903,936,045)
End of the Period	1,305,438,153	(342,770,411)	962,667,742	1,413,046,017	(286,257,402)	1,126,788,615

Activity table of the reserve for on-going risks in the accounting period:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Beginning of the Period	753,762	(621,260)	132,502	-	-	-
Net Change	767,593	(35,532)	732,061	753,762	(621,260)	132,502
End of the Period	1,521,355	(656,792)	864,563	753,762	(621,260)	132,502

Activity table of the balancing provisions in the accounting period:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Beginning of the Period	124,522,130	(81,396,619)	43,125,511	94,427,841	(61,303,045)	33,124,796
Allocated Provisions in the Period	35,873,888	(23,110,095)	12,763,793	30,316,085	(20,293,046)	10,023,039
Earthquake Claims Paid in the Period	(13,759)	2,635	(11,124)	-	-	-
Outstanding Change in Earthquake Claims	(290,821)	210,165	(80,656)	(221,796)	199,472	(22,324)
End of the Period	160,091,438	(104,293,914)	55,797,524	124,522,130	(81,396,619)	43,125,511

Net technical provisions registered in foreign currency as of December 31, 2017 are specified in the footnote no. 4 (a) iii

Activity table of the provisions for bonuses and discounts in the accounting period:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Beginning of the Period	14,580,132	-	14,580,132	7,614,999	-	7,614,999
Allocated Provisions in the Period	46,372,364	-	46,372,364	41,904,058	-	41,904,058
Paid in the Period	(41,041,913)	-	(41,041,913)	(34,938,925)	-	(34,938,925)
End of the Period	19,910,583	-	19,910,583	14,580,132	-	14,580,132

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

17. Insurance Obligations and Reinsurance Assets (cont'd)

The claim development of the Company along with final claim cost estimates as of December 31, 2017 is as follows:

Year of Notification	January 0		January		January		January		January		Year of Accident	
	December 31, 2010 and before	1, 2011 - December 31, 2011	01, 2012 - December 31, 2012	01, 2013 - December 31, 2013	01, 2014 - December 31, 2014	01, 2015 - December 31, 2015	01, 2016 - December 31, 2016	01, 2017 - December 31, 2017	01, 2017 - December 31, 2017	01, 2017 - December 31, 2017	01, 2017 - December 31, 2017	Total
In the year of accident	18,721,928	5,747,259	5,158,581	9,316,633	14,531,027	37,934,318	78,360,595	207,361,273	377,131,614			
1 year later	3,091,050	2,078,249	3,949,687	8,457,769	22,680,409	40,525,622	59,784,091		140,566,877			
2 years later	1,240,807	1,379,106	3,293,882	6,377,323	11,070,745	15,524,284			38,886,147			
3 years later	1,298,076	505,449	1,761,283	3,904,273	6,184,117				13,653,198			
4 years later	1,048,686	506,952	1,055,953	2,882,604					5,494,195			
5 years later	1,749,770	725,999	1,927,462						4,403,231			
6 years later	1,796,172	1,552,404							3,348,576			
7 years later	2,208,795								2,208,795			
Total Outstanding Claims Based on the Claim Development Table	31,155,284	12,495,418	17,146,848	30,938,602	54,466,298	93,984,224	138,144,686	207,361,273	585,692,633			
Claims Incurred but not Reported												471,037,791
Outstanding Claims Reserve for Works Received												13,348,748
Quota Share for the Outstanding Claims Reserve (2007 and Before)												(68,718)
Excess of Loss Cut Off												-
Earnable Outstanding Claims												24,841
Discount Due to Cash Flows												(20,164,853)
												(120,760,590)
Total Provisions for Outstanding Claims and Compensations as of December 31, 2016												929,109,852

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

17. Insurance Obligations and Reinsurance Assets (cont'd)

The claim development of the Company along with final claim cost estimates as of December 31, 2016 is as follows:

Year of Notification	Year of Accident							Total	
	December 31, 2009 and before	January 01, 2010 - December 31, 2010	January 01, 2011 - December 31, 2011	January 01, 2012 - December 31, 2012	January 01, 2013 - December 31, 2013	January 01, 2014 - December 31, 2014	January 01, 2015 - December 31, 2015		January 01, 2016 - December 31, 2016
In the year of accident	13,683,534	3,644,757	5,640,180	5,611,127	11,609,351	17,086,983	51,265,488	222,130,419	330,671,839
1 year later	3,238,948	1,126,709	2,548,712	5,265,108	10,114,811	28,178,266	55,610,156	-	106,082,710
2 years later	2,177,371	821,851	1,711,730	3,925,952	7,666,512	13,262,770	-	-	29,566,186
3 years later	304,151	375,525	577,033	2,062,440	4,975,413	-	-	-	8,294,562
4 years later	893,497	339,719	541,522	1,561,305	-	-	-	-	3,336,043
5 years later	815,731	1,056,193	1,799,454	-	-	-	-	-	3,671,378
6 years later	965,222	1,032,302	-	-	-	-	-	-	1,997,524
7 years later	2,764,429	-	-	-	-	-	-	-	2,764,429
Total Outstanding Claims Based on the Claim Development Table	24,842,883	8,397,056	12,818,631	18,425,932	34,366,087	58,528,019	106,875,644	222,130,419	486,384,671
Claims incurred but not reported									302,443,651
Outstanding claims reserve for works received									4,495,794
Quota share for the outstanding claims reserve (2007 and before)									(68,579)
Excess of Loss									-
Cut Off									25,555
Earnable Outstanding Claims									(20,919,873)
Discount due to cash flows									(77,567,568)
Total Provisions for Outstanding Claims and Compensations as of December 31, 2016									694,793,651

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18. Investment Agreement Liabilities

None (December 31, 2016 - None).

19. Commercial and Other Payables, Deferred Income

The payables of the Company for main activities as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
<u>Payables for Insurance Activities</u>	148,628,445	129,738,171
Payables to Policy Holders/Intermediaries	148,192,899	129,302,625
Payables to Insurance Companies	435,546	435,546
<u>Payables for Reinsurance Activities</u>	128,521,048	129,602,470
Payables to Reinsurance Companies	112,219,624	107,603,946
Payables to Intermediaries	16,441,452	21,419,295
Payables to Insurance Companies	2,652,301	3,423,156
Payable Rediscount	(2,792,329)	(2,843,927)
<u>Deposits Received</u>	355,772	355,543
Deposits Received	355,772	355,543
<u>Payables for Other Main Activities</u>	-	-
Payables for Other Main Activities	-	-
Total	277,505,265	259,696,184

The commercial and other payables defined with foreign currency as of December 31, 2017 and December 31, 2016 are stated in the footnote no. 4 (a) ii.

Income and accrued expenses for the Company for the next months as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Deferred Commission Income	55,879,747	41,820,041
Accrued Expenses	-	-
Other	-	-
Total	55,879,747	41,820,041

20. Financial Payables

The company does not have financial payables as of December 31, 2017 (December 31, 2016 - None).

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

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21. Deferred Income Tax

As of December 31, 2017 and December 31, 2016, the allocation of the temporary differences subject to tax and tax assets and liabilities deferred by using the effective tax ratios is as follows:

	Cumulative Temporary Differences December 31, 2017	Deferred Tax Assets/ (Liabilities) December 31, 2017	Cumulative Temporary Differences December 31, 2016	Deferred Tax Assets/ (Liabilities) December 31, 2016
Deferred Tax Assets / (Liabilities)				
Valuation of Securities	255,115	53,252	427,398	85,480
Provisions for Doubtful Receivables	13,437,162	2,687,432	14,347,710	2,869,542
Reserve for On-Going Risks	864,563	190,204	132,502	26,500
Provisions for Leave	5,135,726	1,027,145	4,307,948	861,590
Provisions for BITT	4,081,398	897,908	3,154,339	630,868
Rediscounts for Receivables and Payables	(2,796,703)	(615,275)	(1,767,562)	(353,512)
Staff Bonus Payment Advance	13,904,000	3,058,880	8,356,000	1,671,200
Rediscounts for Receivable Notes	-	-	-	-
Outstanding Claim IBNR Difference Transferred to SSI	-	-	-	-
Over-Allocated ACLM Amount	7,931,219	1,586,244	-	-
Provisions for Recourse and Salvage Doubtful Receivables	2,748,905	604,759	3,245,592	649,118
Provisions for Surplus Claims	-	-	-	-
Incentive Commission Accrual	3,463,273	761,920	1,779,789	355,958
Social Support Fund Deficit	2,260,892	452,178	2,290,045	458,009
Provisions for Asset Impairment	-	-	-	-
Provisions for Severance Pay	8,606,544	1,721,309	6,811,091	1,362,218
Provisions for Security Impairment	88,146	17,629	-	-
Fixed Asset Depreciation Differences	(11,141,683)	(2,228,335)	(8,355,032)	(1,671,006)
Provision for Discounts and Bonuses	19,910,583	4,380,328	14,580,132	2,916,026
Opposition Lawsuits	1,218,719	268,118	805,545	161,109
Other Provisions	660,714	145,357	335,343	67,069
Cost Margin for Acquired Property	47,726,335	9,545,267	48,700,342	9,740,068
Discount Due to Cash Flows	-	-	(77,567,569)	(15,513,514)
Total Deferred Tax Assets	118,354,908	24,554,320	21,583,613	4,316,723

As the 22 percent Corporate Tax rate became applicable through the "Law on the Amendment of Certain Tax Laws and a number of Other Laws" no. 7061, the deferred tax assessments during the preparation of financial statements as of December 31, 2017 were based on a rate of 22 percent for temporary differences which can probably be recovered in 2018, 2019, and 2020, and on 20 percent for the portion exceeding three years.

The activity table for the deferred tax assets is as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	4,316,723	7,471,934
Deferred Tax Effect Reflected to Equity (note 15)	2,281,588	437,214
Deferred Tax Income/(Expense)	17,956,009	(3,592,425)
End of the Period	24,554,320	4,316,723

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

22. Retirement Social Support Liabilities

According to the Turkish Labor Law, the Company is obliged to pay severance pay to staff members who have completed one year of employment and have terminated their contract, retired, completed service years and earned their retirement, been called for military service or passed away. The compensation to be paid equals to a month's salary for each year of service and this amount is limited to TRY 4,732 as of December 31, 2017 (December 31, 2016 – TRY 4,297). The Company calculated its relevant liability in accordance with TAS 19 as of December 31, 2017 and recorded its severance pay liability amounting to TRY 8,606,544 (December 31, 2016 – TRY 6,811,091).

The provisions for severance pay are allocated by calculating today's value for the possible liability required to be paid in the event of employees' retirement. Accordingly; the actuary assumptions used to calculate the liability as of December 31, 2017 and December 31, 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Discount Ratio	11.00%	11.00%
Estimated Salary Increase Rate	6.50%	6.00%

The provisions for severance pay activities for the accounting periods between January 1 - December 31, 2017 and ending on 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	6,811,091	5,424,958
Paid in the Period	(1,226,090)	(725,730)
Actuarial Loss/(Gain)	963,645	664,110
Provision Amount Allocated in the Current Period	2,057,898	1,447,753
End of the Period	8,606,544	6,811,091

The activity of the provisions for social aid asset deficits for the accounting period between January 1 - December 31, 2017 and ending on 2016 is as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	2,290,045	2,247,362
Period (income) Expense, Net	(29,153)	42,683
End of the Period	2,260,892	2,290,045

The provisions for leaves for the accounting periods between January 1 – December 31, 2017 and ending on 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Beginning of the Period	4,307,948	3,139,037
Period Expense	827,778	1,168,911
	5,135,726	4,307,948

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

23. Other Liabilities and Provisions

23.1 Provisions regarding the social security of the personnel and others:

The employees of the Company are the members of Türkiye Genel Sigorta A.Ş. Retirement and Social Support Fund for Officials and Servants ("Fund") established in accordance with the provisional article 20 of the Social Insurance Law No. 506. In accordance with the legal regulations set out in detail in Note 2, the Company determined the fund deficit, which will be calculated in accordance with the methods stated within the scope of such legal regulations during the transfer to SSI, by using actuarial methods, and reflected the provision for the fund deficit as per TAS 37 as TRY 2,260,892 in its financial statements (TRY 2,290,045 as of 31 December 2016).

23.2 Provision for cost expenses:

	December 31, 2017	December 31, 2016
Incentive Commission Provision	3,013,273	1,779,789
Staff Bonus Payment Advance	13,904,000	8,356,000
Other Provisions	2,329,433	1,140,888
	19,246,706	11,276,677

23.3 Total amount of undertakings not included in the liabilities:

The undertakings not included in the liabilities is defined in footnote no 43.

24. Net Insurance Premium Income

The details for net insurance premiums written in the accounting periods ending on December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017			January 1 - December 31, 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Land Vehicles	294,316,658	(59,125)	294,257,533	254,685,279	(42,098)	254,643,181
Land Vehicles Liability	1,206,228,283	(200,582,088)	1,005,646,195	1,511,832,030	(155,234,435)	1,356,597,595
Financial Losses	1,900,310	(1,584,286)	316,024	1,566,081	(1,328,928)	237,153
Fire and Natural Disasters	321,136,313	(251,967,652)	69,168,661	267,564,649	(210,454,248)	57,110,401
General Losses	245,669,456	(179,846,973)	65,822,483	208,469,292	(155,908,638)	52,560,654
Disease/Health	477,774,099	(1,562,068)	476,212,031	431,776,294	(986,064)	430,790,230
Transportation	43,243,440	(11,891,133)	31,352,307	41,429,954	(11,520,595)	29,909,359
Accident	17,422,728	(3,075,291)	14,347,437	16,260,993	(1,928,613)	14,332,380
General Liability	65,227,479	(37,347,691)	27,879,788	53,476,760	(33,154,579)	20,322,181
Watercrafts	5,168,062	(3,914,012)	1,254,050	4,695,458	(3,835,913)	859,545
Aircrafts	465,735	(464,977)	758	278,571	(278,236)	335
Aircraft Liability	324,162	(323,788)	374	228,140	(227,834)	306
Legal Protection	1,721,678	(5)	1,721,673	1,566,010	(2)	1,566,008
Bailment	1,419,272	(446,247)	973,025	1,189,134	(447,438)	741,696
Life	-	-	-	-	-	-
Total premium income	2,682,017,675	(693,065,336)	1,988,952,339	2,795,018,645	(575,347,621)	2,219,671,024

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

25. Subscription (Fee) Income

None (December 31, 2016 - None).

26. Investment Income and Expenses

The details for investment income and expenses for the accounting periods ending on December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
<u>Decrease in Investment Value</u>		
Provision for Decrease in the Value of Stocks	-	(511,647)
Total Decrease in the Investment Value	-	(511,647)
<u>Depreciation Expenses</u>		
Depreciation Expenses	(10,177,930)	(4,970,591)
Total Depreciation Expenses	(10,177,930)	(4,970,591)
Stock Sale Losses	-	-
Fixed Asset Sale Losses	-	-
Total Losses after the Conversion of Investments to Cash	-	-
<u>Foreign Exchange Losses</u>		
Exchange Rate Difference in Current Transactions	(29,132,769)	(27,440,336)
Other Foreign Exchange Losses	(1,297,542)	-
Foreign Currency Sale Losses	(356,236)	(97,876)
Exchange Rate Difference Losses in Foreign Currency Deposits	(4,409)	(487,638)
Total Foreign Exchange Losses	(30,790,956)	(28,025,850)
<u>Investment Income Transferred to Non-Technical Department</u>		
State Bond Income	(35,982,763)	(18,364,720)
Repurchase Income	-	-
Term Deposit Income	(145,401,707)	(99,770,908)
Stock Sale Profits-Losses	-	-
Private Sector Bills	(1,468,046)	(770,897)
Income from Real Estates	(6,944,329)	(836,433)
Dividend Income	(415,691)	(2,255,611)
Total Investment Income Transferred to Non-Life Technical Department	(190,212,536)	(121,998,569)
Total	(231,181,422)	(155,506,657)

(*) The investment income transferred to the Non-Life Technical Department has been calculated in accordance with the Turkish Undersecretariat of Treasury's "Communiqué on the Procedures and Principles of the Keys Used in Financial Statements Prepared with Respect to the Uniform Chart of Accounts for Insurance" dated January 4, 2008.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

26. Investment Income (cont'd)

	January 1 - December 31, 2017	January 1 - December 31, 2016
<u>Income from Financial Investments</u>		
Financial Assets Available-for-Sale	31,001,106	23,170,147
Financial Assets with Purchase and Sale Purpose	-	-
Financial Assets to be Retained until Maturity	-	-
Time-Deposit Account Interest Income	171,903,081	116,765,632
Interest Income from the Receivables from Partners	-	-
Total Income from Financial Investments	202,904,187	139,935,779
<u>Income from Conv. of Financial Investments to Cash</u>		
Financial Assets Available-for-Sale	-	-
Financial Assets with Purchase and Sale Purpose	-	-
Total Income from Conv. of Financial Investments to Cash	-	-
<u>Assessment of Financial Investments</u>		
Financial Assets Available-for-Sale	13,548,605	(775,017)
Financial Assets with Purchase and Sale Purpose	-	-
Financial Assets to be Retained until Maturity	-	-
Time-Deposit Account	-	-
Total Assessment of Financial Investments	13,548,605	(775,017)
<u>Foreign Currency Gains</u>		
Exchange Rate Difference Profits in Foreign Currency Deposits	3,194,424	366,101
Exchange Rate Difference Profit in Current Transactions	31,199,609	42,799,861
Foreign Currency Sale Profits	2,002,638	746,082
Other Foreign Currency Gains	12,097,396	-
Total Foreign Currency Gains	48,494,067	43,912,044
<u>Income from Affiliates and Subsidiaries</u>		
Income from Affiliates and Subsidiaries	631,989	2,639,826
Income from Subsidiaries	631,989	2,639,826
<u>Income from Plots, Lands and Buildings</u>		
Leasing	2,205,086	619,400
Sale	6,004,938	359,508
Total Income from Plots, Lands and Buildings	8,210,024	978,908
<u>Investment Income Transferred from the Life Technical Section</u>		
Investment Income Transferred from the Life Technical Section	-	-
Investment Income Transferred from the Life Technical Section	-	-
Total	273,788,872	186,691,540

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

27. Net Accrual Income of Financial Assets

The income and expense information related to state bills and private sector bills monitored in the financial assets available-for-sale for the periods ending on December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Available-for-Sale State Bonds	13,353,293	(819,077)
Available-for-Sale Private Sector Bills	195,312	44,060
Other Financial Assets	-	-
Total	13,548,605	(775,017)

28. Assets Whose Fair Value Difference is Reflected in the Income Statement

None (December 31, 2016 - None).

29. Insurance Rights and Claims

Insurance obligations and reinsurance assets are detailed in footnote no. 17.

30. Investment Agreement Rights

None (December 31, 2016 - None).

31. Other Mandatory Expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
Operation Expenses Classified under Non-Life Technical Department	(418,807,064)	(398,197,647)
Operation Expense Classified under the Non-Technical Department	(10,177,930)	(4,970,591)
Total	(428,984,994)	(403.168.238)

32. Expense Types

	January 1 - December 31, 2017	January 1 - December 31, 2016
Staff Expenses	(94,785,070)	(77,002,961)
Net Commission Expenses	(246,760,378)	(252,782,740)
General Management Expenses	(30,184,680)	(20,519,480)
Marketing and Sales Expenses	(18,901,400)	(23,272,036)
Outsourced Benefits and Service Expenses	(10,946,608)	(7,179,324)
Research and Development Expenses	(39,869)	(68,204)
Other	(17,189,059)	(17,372,902)
Total	(418,807,064)	(398,197,647)

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

33. Expenses of Benefits Provided to Employees

	January 1 - December 31, 2017	January 1 - December 31, 2016
Salaries	(76,451,109)	(63,963,597)
Severance Payment	(1,226,097)	(725,730)
Social Support	(9,655,164)	(7,421,754)
Other	(7,452,700)	(4,891,880)
Total	(94,785,070)	(77,002,961)

34. Financial Costs

34.1 All financial expenses of the period: None (December 31, 2016 - None).

34.1.1 Charged to production costs: None (December 31, 2016 - None).

34.1.2 Charged to fixed asset costs: None (December 31, 2016 - None).

34.1.3 Charged directly to expenses: None (December 31, 2016 - None).

34.2 The portion of financing expenses of the period regarding partners, subsidiaries and affiliates (those with more than 20% share in the total amount shall be shown separately):
None (December 31, 2016 - None).

34.3 Sales and purchases made with partners, subsidiaries and affiliates (those with more than 20% share in the total amount shall be shown separately):

	Reinsurance commission received/(given)	Reinsurance premium received/(given) in claim	January 1 - December 31, 2017 Reinsurance premium (transferred)/taken over
MAPFRE Re Compania Reaseguros S.A.	64.657.474	82.342.763	(261.233.855)
MAPFRE Global	5.671.558	7.545.151	(38.775.634)
MAPFRE Asistencia	771.037	437.035	(3.585.764)
MAPFRE Yaşam Sigorta A.Ş.	-	(799.352)	50.378
Total	71.100.069	89.525.597	(303.544.875)

	Reinsurance commission received/(given)	Reinsurance premium received/(given) in claim	January 1 - December 31, 2016 Reinsurance premium (transferred)/taken over
MAPFRE Re Compania Reaseguros S.A.	59.695.630	75.390.169	(227.555.429)
MAPFRE Global	5.403.840	2.619.638	(37.113.086)
MAPFRE Asistencia	288.932	43.712	(1.900.259)
MAPFRE Yaşam Sigorta A.Ş.	-	(612.742)	59.944
Total	65.388.402	77.440.777	(266.508.830)

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

34. Financial Costs (cont'd)

34.4 Interests, leases, etc. received from and paid to partners, subsidiaries and affiliates (those with more than 20% share in the total amount shall be shown separately):

Explained in footnote no. 45.

35. Income Taxes

Company activities are subject to tax legislation and practices in Turkey.

The corporate tax ratio in Turkey is 20%. Corporate tax is declared before the evening of the twenty-fifth day of the fourth month following the end of the accounting period and is paid in one installment before the end of the relevant month. In accordance with the tax legislation, 20% advance tax is calculated on the quarterly earnings and the amounts paid in this way are deducted from the tax calculated on the annual earnings.

Pursuant to the Corporate Tax Law, financial losses indicated on the declaration can be deducted from the corporate tax base of the period, provided that it shall not exceed five years. Declarations and the related accounting records can be reviewed within five years of the tax year and tax accounts can be revised.

15% corporate tax is deducted from the dividends which are distributed to the limited taxpayers, apart from those obtaining dividends via a workplace or permanent representative in Turkey, or to limited taxpayers exempt from the corporate tax (adding profit to capital is not deemed as profit distribution) that are included in Article 75, paragraph two, sub-paragraphs (1), (2) and (3) of the Corporate Tax Law by the fully responsible taxpayer corporations. A deduction amounting to 15% of the tax is made from the dividends distributed to the corporations exempted from tax (Adding profit to capital is not deemed as profit distribution.) that are included in the sub-paragraphs (1), (2) and (3) in the second paragraph of Article 75 of corporate tax.

A deduction amounting to 15% is made from the dividends distributed to fully responsible taxpayer natural entities, those who are not income and corporate taxpayers and who are exempted from income tax (Adding profit to capital is not deemed as profit distribution.) that are included in the sub-paragraphs (1), (2) and (3) in the second paragraph of Article 75.

A deduction amounting to 15% is made from the dividends distributed to limited taxpayer natural entities and limited taxpayers exempt from income tax (adding profit to capital is not deemed as profit distribution) that are included in Sub-Paragraphs (1), (2) and (3), Paragraph 2, Article 75.

According to the provisions of the international agreements for the avoidance of double taxation, it is possible to apply a reduced rate of withholding, which can be applied by submitting a certificate of residence.

Corporations are exempt from corporation tax at a rate of 75% for their share earnings held for a period of two years in an establishment asset under Article 5 (1) of the Corporate Tax Law.

The prepaid tax and tax provision amount as of December 31, 2017 and December 31, 2016 are submitted below:

	December 31, 2017	December 31, 2016
Provisions for Taxes to be Paid	62,502,160	27,199,733
Prepaid Tax	(91,282,303)	(43,575,201)
	(28,780,143)	(16,375,468)

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

35. Income Taxes (cont'd)

The analysis of the provisions for tax expense reflected in the income statement for the periods ending on December 31, 2017 and 2016 are submitted below:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Profit Before Taxes (Including Deferred Tax)	248,999,408	149,800,689
Deferred Tax Income/Expense (KKEG)/Discounts	(17,956,009)	3,592,425
Increase in Tax Rate	80,854,349	(17,394,451)
	613,053	-
	312,510,801	135,998,663
Tax Rate	%20	%20
Calculated Corporate Tax Provision	(62,502,160)	(27,199,733)
Deferred Tax Income/Expense	17,956,009	(3,592,425)
Current Tax Expenses, Net Deferred Tax Expenses	(44,546,151)	(30,792,158)

	January 1 - December 31, 2017	January 1 - December 31, 2016
Reflected to Equity (note 15)	-	-
Reflected to Income Statement	62,502,160	27,199,733
Current Tax Expenses	62,502,160	27,199,733

36. Net Exchange Rate Change Income/Expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
Exchange Rate Difference Profits/Losses in Foreign Currency Deposits	3,190,014	(121,538)
Exchange Rate Difference Profits/Losses in Current Transactions	2,066,840	15,359,525
Foreign Currency Sale Profits	1,646,403	648,207
Exchange Rate Difference Profits/Losses in Other Transactions	10,799,854	-
	17,703,111	15,886,194
Technical Section		
Foreign Currency Gains/Losses for Life Line Of Business	-	-
Total Foreign Currency Gains	17,703,111	15,886,194

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)
(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

37. Earnings per Share

37.1 Profit per share and dividend rates, provided that they are shown separately for ordinary and preferred stocks

Earnings per share are calculated by dividing the net profit for the period by the number of weighted average shares of the Company's shares during the period. Calculation is as follows;

	January 1 - December 31, 2017	January 1 - December 31, 2016
Net Profit for the Current Period	186,497,248	122,600,956
Number of Weighted Average Shares with a Nominal Value of 1 TL	350,000,000	350,000,000
Profit per Share (TL)	0.53	0.35

38. Dividends per Share

Dividend per share is calculated by dividing the dividend paid within the year by the number of weighted average shares of the Company's shares during the period. Calculation is as follows;

	January 1 - December 31, 2017	January 1 - December 31, 2016
Dividends Distributed within the Period (*)	31,741,978	10,395
Number of Weighted Average Shares with a Nominal Value of 1 TL	350,000,000	350,000,000
Dividend by Share (TL)	0.09	0.00

(*) In line with the resolution of the Ordinary General Assembly dated June 30, 2017, the dividend figure of TRY 31,741,978 was paid to the parent company and founding dividend shareholders on April 24, 2017 (December 31, 2016: TRY 10,395).

39. Cash Generated from Activities

Cash generated from activities is indicated in the Cash Flow Statement.

40. Convertible Bonds

None.

41. Preferred Stocks Convertible to Cash

None.

42. Risks

The lawsuits brought against the Company are as follows as of December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Claim Lawsuits	378,233,514	321,673,686
Labor Lawsuits	1,218,719	805,545
Other Lawsuits	660,714	335,342
Total	380,112,947	322,814,573

MAPFRE Sigorta Anonim Şirketi**Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)**

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

43. Undertakings

	December 31, 2017	December 31, 2016
Letters of Guarantee	36,691,400	28,252,806
	36,691,400	28,252,806

44. Establishment Mergers

None (December 31, 2016 - None).

45. Transactions with Related Parties

The related parties is defined as the establishment that may control the other party directly or indirectly or affect it significantly via partnership, rights regarding contracts, family relationships, or similar manners. Related parties also include fund holders and Company management. Related party transactions, regardless of the application of price, include the transfer of resources and liabilities among the related parties. The related parties of the partners and Company management are defined as related parties in the financial statements dated December 31, 2017 and the related explanatory footnotes.

MAPFRE Sigorta Anonim Şirketi

Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

45. Transactions with Related Parties (cont'd)

The sales and purchases of the Company with other related parties for the periods ending on December 31, 2017 and 2016 are as follows:

The sales and purchases with partners and subsidiaries are explained in footnote no. 34.3.

	January 1 - December 31, 2017 Purchases/sales (net)	January 1 - December 31, 2016 Purchases/sales (net)
1- Insurance Activities		
MAPFRE Yaşam	(1,384,670)	(1,094,443)
Total of Insurance Activities	(1,384,670)	(1,094,443)
2- Leasing Income		
MAPFRE Yaşam	186,723	181,262
Genel Servis Yedek Parça Dağ.Tic. A.Ş.	(48,055)	(49,262)
Total Leasing Income	138,668	132,000
3- Other Sales / (Purchases)		
MAPFRE Soft SA	(814,645)	(1,986,569)
MAPFRE S.A.	(130,087)	(182,719)
MAPFRE Tech	(12,403,379)	(3,433,272)
MAPFRE RE	-	-
MAPFRE Internacional	233,653	17,237
MAPFRE Yaşam Sigorta A.Ş.	5,884	(123,583)
Genel Sigorta Retirement and Social Support Fund for Officials and Servants	2,466,093	2,260,900
Turasist Yardım ve Servis Ltd.Şti.	(22,065,906)	(14,897,462)
Centro De Experimentacion Seguridad Vial MAPFRE S.A.	-	-
Fundacion MAPFRE	37,025	33,189
Genel Servis Yedek Parça Dağ.Tic. A.Ş.	(494,460)	(411,738)
MAPFRE Informatica	-	-
MAPFRE Middlesea PLS	-	954,395
Total Other Sales/(Purchases)	(33,165,822)	(17,769,622)
4- Received / (Paid) Dividends		
MAPFRE Internacional S.A.	(31,675,000)	-
Other Partners	(66,977)	(10,395)
MAPFRE Yaşam A.Ş.	-	2,068,922
Genel Servis Yedek Parça Dağ.Tic. A.Ş.	491,456	570,904
Total Received / (Paid) Dividends	(31,250,521)	2,629,431

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

45. Transactions with Related Parties (cont'd)

45.1 Doubtful receivable amounts and payables therein allocated due to receivables from partners, affiliates and subsidiaries: None (December 31, 2016 - None).

45.2 Breakdown of affiliates and subsidiaries with an indirect capital and management relationship with the Company; names of the partnerships in the affiliates and subsidiaries account and rates and amounts of their affiliation; period profit or loss of such partnerships in the latest financial statements issued, net period profit or loss, and the period of these financial statements; whether it is issued in accordance with the standards of our Board, whether it is subjected to independent audit and whether the result of the independent audit report is negative, positive or conditional:

Other Financial Fixed Assets	December 31, 2017						
	Amount TL	Share	Period	Net period Profit/(loss)	Equity	Undergone Independent Audit?	Independent Audit Report
Affiliates							
Tarım Sigortaları Havuz İşletmesi A.Ş. (Tarsim)	346,975	4.00%	31.12.2017	1,753,174	10,823,748	No	None
Subsidiaries							
MAPFRE Yaşam Sigorta A.Ş.	20,816,506	99.50%	31.12.2017	(245,436)	16,970,461	Yes	Yes
Genel Servis Yedek Parça Dağıtım Tic. A.Ş.	2,428,025	51.00%	31.12.2017	617,894	2,103,928	No	None
	23,591,506			(676,793)	27,095,713		

Other Financial Fixed Assets	December 31, 2016						
	Amount TL	Share	Period	Net period Profit/(loss)	Equity	Undergone Independent Audit?	Independent Audit Report
Affiliates							
Tarım Sigortaları Havuz İşletmesi A.Ş. (Tarsim)	220,889	4.17%	31.12.2016	1,121,565	9,070,574	No	None
Subsidiaries							
MAPFRE Yaşam Sigorta A.Ş.	20,816,506	99.50%	31.12.2016	(3,586,554)	17,137,116	Yes	Yes
Genel Servis Yedek Parça Dağıtım Tic. A.Ş.	2,428,025	51.00%	31.12.2016	1,336,232	2,199,125	No	None
	23,465,420			(1,128,757)	28,406,815		

45.3 Sum of bonus shares obtained due to capital achieved through internal sources of subsidiaries and affiliates: None (December 31, 2016 - None).

45.4 Limited property rights owned on immovables and values therein: None (December 31, 2016 - None).

45.5 Amount of liabilities such as guarantee, collateral, bailment, advance, reimbursement, etc. granted for partners, affiliates and subsidiaries: None (December 31, 2016 - None).

46. Events after the balance sheet date

Provided in footnote no. 1.10.

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

47. Other

47.1 Names and amounts of the items exceeding 20% of the total amount of the group in which the account items bearing "other" in the financial statements are included or 5% of the total assets in the balance sheet:

	December 31, 2017	December 31, 2016
a) Other Miscellaneous Receivables:		
Creditors from Compulsory Earthquake Insurance	(1,694,592)	(1,563,673)
Debtors from Compulsory Earthquake Insurance	954,346	1,128,945
Creditors from State-Supported Agriculture Insurance	(25,454)	(15,735)
Debtors from State-Supported Agriculture Insurance	1,066,883	735,889
Miscellaneous Receivables from Agencies	8,248,759	4,595,587
Advances Granted for Real Estate Purchases	-	-
Real Estate Sales-Mersin	6,567,257	6,078,320
Real Estate Sales-Salıpazarı	-	-
Real Estate Sales-Bağcılar	-	-
Vendor Advances	-	-
Other	3,094,068	3,412,492
Total	18,211,267	14,371,825
b) Other Miscellaneous Receivables (long-term):	-	-
Real Estate Sales-Bağcılar	-	-
Real Estate Sales-Mersin	-	-
Total	-	-
b) Other Miscellaneous Payables:		
Payables to Vendors	82,332,721	57,861,671
Other	554,263	448,760
	82,886,984	58,310,431
c) Other Technical Provisions:		
Balancing Provisions	55,797,524	43,125,511
	55,797,524	43,125,511
d) Expenses for Future Months:		
Deferred Commission Expenses	144,258,433	166,342,435
Other Expenses and Accrued Income	11,110,782	9,698,040
	155,369,215	176,040,475
e) Expenses for Future Months:		
Deferred Commission Income	55,879,747	41,820,041
Other Expenses and Accrued Income	-	-
	55,879,747	41,820,041

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Footnotes regarding the unconsolidated financial tables as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

47. Other (cont'd)

47.2 Separate totals of the receivables from personnel and payables to personnel, which are included in the account items "Other receivables" and "Other short and long-term payables" and exceed %1 of the total assets in the balance sheet: None (December 31, 2016 - None).

47.3 Amounts related to recourse receivables followed in off-balance sheet accounts: None (December 31, 2016 - None).

47.4 Explanatory note showing the amounts and sources of income and expenses of the previous period, as well as expenses and losses of the previous period: None (December 31, 2016 - None).

47.5 Other notes that are to be included

Other income and profits:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Agency Interest Income	72,760	161,726
Other Interest Income	1,221,049	1,348,221
Other Income	1,977,747	501,887
Security Sale Income	947,226	406,701
Cancellation of the Provisions For BITT	-	-
Total	4,218,782	2,418,535

Other expenses and losses:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Bank Virtual POS Point and Commission	(5,232,068)	(6,994,619)
Bank and Insurance Proceeding Expenses	(10,020,174)	(7,788,665)
Non-Deductible Expenses	(544,359)	(800,474)
Interest Expenses	(21,715)	(162,845)
Other	(4,099,045)	(2,314,054)
Total	(19,917,361)	(18,060,657)

Gross other technical expenses:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Assistance and Support Services	(14,792,944)	(17,795,645)
SBM Report Margins for Treatment Costs, Prior to the Law no. 6111*	-	-
SBM and TMTB Participation and Query Fee	(1,970,049)	(1,767,319)
Other	(7,097,452)	(2,217,053)
Total	(23,860,445)	(21,780,017)

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Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

47. Other (cont'd)

Provision and rediscount expenses for the period:

a) Provision expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
<u>Non-Technical Provisions</u>		
Other Non-Recurring Provisions	837,781	1,304,398
Provisions for Doubtful Receivables, Net (note 12.1)	(27,061,159)	(45,027,314)
Provisions for Doubtful Severance Pay, Net (note 22)	(831,808)	(722,023)
Provisions for Security Impairment	-	-
Provisions for Social Support Fund Deficit (note 22)	29,153	(42,683)
Provisions for Leave (Note 22)	(827,778)	(1,168,911)
Other Provisions	(699,018)	(814,710)
Total Non-Technical Provisions	(28,552,829)	(46,471,243)
<u>Technical Provisions</u>		
Provisions for Unearned Premiums	164,120,873	(209,439,738)
Provisions for Outstanding Claim and Compensation	(234,316,201)	(338,779,429)
Reserve for On-Going Risks (note 17)	(732,061)	(132,502)
Mathematical Provisions	-	-
Provisions for Bonuses and Discounts	(46,372,364)	(41,904,058)
Other Technical Provisions (Balancing Provision) (note 17)	(12,672,013)	(10,000,715)
Total Technical Provisions	(129,971,766)	(600,256,442)
<u>Tax Provisions</u>		
Tax Provisions	(62,502,160)	(27,199,733)
Total Tax Provisions	(62,502,160)	(27,199,733)

b) Rediscount Expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
Rediscount Interest Income	1,039,148	11,345,347
Rediscount Interest Expenses	(10,007)	(4,726,764)
Total	1,029,141	6,618,583

MAPFRE Sigorta Anonim Şirketi**Footnotes regarding the unconsolidated financial tables
as of December 31, 2017 (cont'd)**

(The currency is displayed as Turkish Lira (TL) unless stated otherwise.)

47. Other (cont'd)**47.6 Statement of Profit Appropriation**

The Company's dividend payment schedule for the year 2017 will be established in the General Assembly meeting to be held on March 30, 2018.

	December 31, 2017	December 31, 2016
Period Profit		
Profit Before Corporate Tax	248,999,408	126,855,235
Corporate Tax	(62,502,160)	(27,199,733)
Tax Expenses Reflected to Equity	-	-
Net Profit for the Period	186,497,248	99,655,502
Losses in the Previous Period	-	-
Primary Reserve	-	(4,969,293)
Legal Funds Required to be Left to the Company and Saved	-	(269,632)
Distributable Period Profit	-	94,416,577
Primary Dividends to Partners		
To Stock Holders	-	(17,500,000)
To Preferred Stock Holders	-	-
To Participation Dividend Stocks	-	(66,977)
To Profit Sharing Bond Holders	-	-
To Profit and Loss Partnership Certificate Holders	-	-
Secondary Dividend to Shareholders	-	-
To Stock Holders	-	(14,175,000)
To Preferred Stock Holders	-	-
To Participation Dividend Stocks	-	-
To Profit Sharing Bond Holders	-	-
To Profit and Loss Partnership Certificate Holders	-	-
Secondary Reserves	-	(9,938,588)
Extra Reserves	-	(52,736,012)
Other Reserves	-	-
Special Funds	-	-