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INTRODUCTION

Contact Information

General Directorate : Barbaros Mah. Kardelen Sok. Palladium Tower
No: 2 Kat: 27-29 34746 Ataşehir / İstanbul

Phone Number : 0216 468 03 00

Fax Number : 0216 368 74 16

Call Center : 0850 222 08 60

Web Address : www.cignafinans.com.tr

E-mail Address : info@cignafinans.com.tr

Summarized Financial Information about Results of Activities in the Account Period

Cigna Finans Emeklilik ve Hayat A.Ş. ("Company") paid insurance claims of TL 94,9 million in consideration of premium payment of TL 482,5 million in 2017. In the same period, general expenses of the Company was TL 102,1 million and investment income was TL 36,7 million.

Historical Development of the Company and Amendments of Articles of Association in the Account Period and Reasons for such Amendments

Corporate activities of Finans Emeklilik ve Hayat A.Ş. had been initiated at the start of 2007 and required preparation and feasibility works have been completed and an application was made to R.T. Prime Ministry Undersecretariat

Financial Indicators TL	2017	2016	Change (TL)	Change (%)
IPS Contribution Margin*	181,887,573	189,266,283	(7,378,710)	(3.90%)
IPS Total Fund Size**	799,151,144	666,759,928	132,391,216	19.86%
Premiums Received	482,469,511	301,817,421	180,652,090	59.85%
Paid Claims	94,877,498	61,986,173	32,891,325	53.06%
General Costs***	102,113,429	87,513,313	14,600,116	16.68%
Technical Profit/Loss	50,374,988	19,279,799	31,095,189	161.28%
Investment Revenues	36,654,910	24,725,417	11,929,493	48.25%
Investment Expenses	(10,118,775)	(7,718,771)	(2,400,004)	31.09%
Net Profit/Loss	55,138,712	24,920,561	30,218,151	121.26%

(*) IPS Contribution Margin includes amounts that are blocked on credit cards.

(**) State subsidy is included.

(***) General expenses are composed of total operating expenses excluding respectively deferred commission expenses and deferred commission revenues and net production commission expenses and reinsurance commission revenues.

As a result the Company closed the eleventh activity year with a net profit of TL 55 million.

of Treasury on 20 April 2007 for establishment license. Based on this, according to evaluations made by R.T. Prime Ministry Undersecretariat of Treasury within the frame of Insurance Law no. 5684, Individual Pension Savings and Investment System Law no. 4632 and relevant regulations, Company was granted an establishment license on 9 May 2007.

After establishment works have been completed, Finans Emeklilik ve Hayat A.Ş. was established on 4 July 2007 to operate in the field of life and accident insurance and individual pension categories.

Finans Emeklilik ve Hayat A.Ş. made an application on 20 August 2007 to get an operating license in life and accident insurance categories and as the result of evaluations carried out by R.T. Prime Ministry Undersecretariat of Treasury, Company was granted an operating license on 21 November 2007 in the life and accident insurance categories. Company started its operations in the life and accident insurance categories on 27 November 2007.

After completing necessary preparation works in individual pension category, Finans Emeklilik ve Hayat A.Ş. made an application to R.T. Prime Ministry Undersecretariat of Treasury on 17 December 2007 to get an operating license. Capital Market Board and Pension Monitoring Center completed inspections and evaluations required for granting an operating license and on 11 April 2008 Company was granted an operating license in individual pension category and on 30 November 2008, the Company signed its first individual pension contract.

With decree no. B.02.1.HZN.0.10.04.01 of R.T. Prime Ministry Undersecretariat of Treasury dated 26 October 2009, Company was granted a license to carry out "insurance activities in the field of capital redemption, marriage/maternity and insurances" with investment fund. Relevant decree was published in Turkish Trade Gazette no. 7438 on 13 November 2009.

Articles of association of the Company was amended in 2012 activity period. Former articles 2, 3, 4, 6, 7, 8, 9, 10, 11,

12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 of articles of association of the Company were amended and article 8, 9, 10, 15, 24, 31 were added to the articles of association of the Company with new numbers. Amended Articles of Association of the Company approved by R.T. Ministry of Customs and Trade no. 6935 dated 02.11.2012 and decisions reached in ordinary general assembly meeting dated 09.11.2012 were registered on 14.11.2012 at Istanbul Turkish Trade Registry Directorate in accordance with Turkish Trade Code and were announced on Turkish Trade Registry Gazette no. 8197 dated 20.11.2012.

Company shareholder, QNB Finansbank A.Ş. transferred its shares in the company equivalent to 51% to Cigna Nederland Gamma B.V. Share transfer is approved with Board of Directors decision no. 172 dated 9 November 2012 and shares transferred are registered in the stock ledger of the company on behalf of the new possessor who has taken over the shares transferred.

Taking into consideration these changes, articles 2, 12 and 15 of articles of association of the Company were amended during year 2013. Amended texts approved by R.T. Ministry of Customs and Trade on 16.04.2013 and 17.05.2013 and decisions reached in Extraordinary General Assembly Meeting dated 31.05.2013 are registered at Istanbul Trade Registry Directorate on 10.06.2013 in accordance with Turkish Trade Code and were announced on Turkish Trade Gazette no. 8341 dated 13.06.2013.

With the registration of the Extraordinary General Assembly decision in Trade Registry Gazette, the title of Company was amended as Cigna Finans Emeklilik ve Hayat A.Ş., under which our Company continues to carry out its activities.

Information About Extraordinary General Assembly If One is Held Within the Year, Including Date of Meeting, Decisions Reached and Relevant Processes Carried Out

No Extraordinary General Assembly Meeting was held in 2017

Shareholders Structure of the Company, Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares

Shareholder Structure of the Company

Ledger Page No	Name/Title of Shareholder	Share Group	Number of Shares	Amount of Shares (TL)	Partnership Rate (%)
8	Cigna Nederland Gamma B.V.	A	22,949,999	22,949,999	50.9999978%
8	Cigna Nederland Gamma B.V.	A1	1	1	0.0000022%
2	QNB Finansbank A.Ş	B	22,049,998	22,049,998.9999	48.9999978%
2	QNB Finansbank A.Ş	B1	1	1	0.0000022%
TOTAL (*)			45,000,000	45,000,000	100.0000000%

(*) In 2009 general assembly of the Company, fraction document is issued for shares that could not be rounded up to TL 1 with capital increase provided by internal resources. For this reason, one share is divided and fraction document is issued for shareholders at the rate of their shares.

Information About Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares

There was no change in the shareholders structure of the company during the account period and capital of the company is composed of A, A1, B and B1 group shares as shown in the table under article 14.1.

Information about direct and indirect shareholders of the Company and their share rates

Company does not have any direct or indirect affiliate other than the Pension Monitoring Center, of which the company is a shareholder as required by regulation.

Information about shares of the company acquired

Company does not have any shares of its own that it has acquired.

Remarks on Shares that Chairman and Members of the Board of Directors of the Company and General Manager and Assistants Hold, If Any

Chairman and Member of Board of Directors of the Company, General Manager and assistants do not hold partnership interests in the Company.

Assessment of the 2017 Activity Period and Future Expectations

Analysis and Evaluation of Management Department About Financial Situation and Results of Activities, Level of Realization of Activities Planned, Company Status in Terms of Strategic Objectives Determined

In our country, insurance sector is growing every year thanks to its dynamic and strong financial structure. Turkey remains

to be an attractive Market due to its young population and low insurance rate despite such population. Increasing interest in the sector and new actors that enter the sector in parallel with this causes competition to be severer every year. Premium production in life branch of insurance sector in Turkey was TL 5,0 billion as of the end of 2016 and this figure reached TL 6,8 billion (6,844,080,012) as of the end of 2017. Cigna Finans Emeklilik ve Hayat A.Ş. climbed up to 7th place in premium production ranking by increasing its market share in life insurance sector to 6.40%.

Summarized Financial Results	2017	2016	Change
Non-Life Technical Revenue	35,169,402	32,745,610	7%
Non-Life Technical Expenses (-)	(20,479,304)	(15,636,780)	31%
Life Technical Revenue	430,572,706	256,115,336	68%
Life Technical Expenses (-)	(398,738,083)	(254,408,821)	57%
Pension Technical Revenue	17,479,152	16,444,299	6%
Pension Technical Expenses (-)	(13,628,885)	(15,979,845)	(15%)
Investment Revenues	36,654,910	24,725,417	48%
Investment Expenses (-)	(10,118,775)	(7,718,771)	31%
Income and Expenses from Other Operations and Extraordinary Operations in Other Activities and Extraordinary Activities (+ -)	(6,321,587)	(4,258,184)	48%
NET PROFIT / (LOSS) FOR THE PERIOD	55,138,712	24,920,561	121%
TECHNICAL CATEGORY BALANCE (NON-LIFE)	14,690,098	17,108,830	(14%)
TECHNICAL CATEGORY BALANCE (LIFE)	31,834,623	1,706,515	1765%
TECHNICAL CATEGORY BALANCE (PENSION)	3,850,267	464,454	729%
GENERAL TECHNICAL CATEGORY BALANCE	50,374,988	19,279,799	161%

When evaluated according to provisions of Turkish Trade Code no. 6102, it was determined that there is no capital loss of the Company and that company is not running into debt.

EVALUATIONS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS FOR THE 2017 ACTIVITY PERIOD AND THEIR FUTURE EXPECTATIONS

Dear Shareholders,

In 2017, the global economy was better than expected. Despite the political tensions and uncertainties, the outlook was positive. The growth rates increased but the inflation rates were limited. FED's monetary policies were gradually normalized and Europe and Japan central banks continued to take expansive measures. With the disinflation becoming clearer, central banks of the developing countries decreased the interest rates.

With the positive outlook of the global economy, Turkish economy marked a strong growth in 2017 with the increased rate of capital inflow and the financial incentives implemented by the government. However, the internal demand which grew due to the expansive fiscal policies caused a negative impact on the inflation and the balance of payments. In 2017, the inflation rate was 11.9 percent, the highest since 2003. Current deficit/GDP rate increase from 3.8% as of the end of 2016 to more than 5%. With the supporting base impacts removed, GDP growth may decrease as compared to 2017. However, based on the expectation that the financial incentives will partly continue and export and tourism revenues will grow in 2018, we estimate that the deceleration will be limited and the growth rate will reach 5 percent.

We estimate that the fiscal policies will be continued and Turkish economy will maintain its stability in 2018.

Last year, the credit expansion resulting from the fiscal incentives and the support of the Credit Guarantee Fund

heated up the banking sector and had a positive impact on the insurance sector.

Looking at 2017 in terms of pensions and insurance sector, we see that it has been an effective production year.

Strong growth in life insurance

As per the data provided by Insurance Association of Turkey (TSB), the share of life insurance in total premiums has increased to 14.7%. Evaluating the industry in terms of premium production, the amount increased from TL 5 billion in 2016 to TL 6.8 billion in 2017, marking a growth of 35.8%.

As of December 29, 2017, the number of individuals with a private pension scheme reached 6.9 million and the total net asset value of funds exceeded TL 67 billion. The government's contribution reached TL 10 billion and the contribution of the individuals reached TL 52 billion. TL 51 billion of this amount is used for investment.

'Automatic Enrollment System' which requires all individuals under the age of 45 to enroll is in effect as of January 1, 2017. The industry has gained a momentum with the government contributions and automatic enrollment as well as the resulting advantages will increase the number of participants and the total net asset value of funds. This system which will encourage more people to make long-term savings, provide additional resources for the economy and additional income for retired individuals is considered by us as a huge advantage.

As of December 29, 2017, the number of individuals with a private pension scheme reached 6.9 million and the total net asset value of funds exceeded TL 67 billion.

Strong partnership structure

QNB Finansbank, one of the five top private-sector banks in Turkey, continues to grow stronger after the acquisition in 2016 by Qatar National Bank S.A.O (QNB Group), Qatar's top bank and a leading financial institution of the Middle East and Africa. I believe that this new partnership will also contribute to Cigna Finans, provide advantages for our customers in the future and strengthen our market position.

A successful year of activity for Cigna Finans

I am happy to say that 2017 was a year of high performance and many achievements for Cigna Finans.

The Company reached a premium production of TL 438 million in life insurance with a growth of 60.1% and secured a market share of 6.4%. Similarly, premium production of TL 44 million in personal accident insurance also marked a good year. In retirement, the total asset value of funds reached TL 663 million with a growth of 17.8% as compared to the previous year.

Strong cooperation and synergy between QNB Finansbank and Cigna Finans Emeklilik constitutes the foundation of our success. In line with our mission of placing our company as the preferred partner by offering the best services and solutions, we will continue to provide more than just insurance with our customer-focused approach.

We believe that Cigna Finans Emeklilik will continue to increase its growth rate in 2018 and provide added value to the Turkish economy.

I would like to thank all our employees and shareholders for their efforts, and all participants and insurance holders who preferred us and who trusted us with their future.

Best Regards,

Ömer A. Aras
Chairman

The Company generated premiums of TL 438 million in life insurance and TL 44 million in personal accident insurance to mark a successful year.



GENERAL MANAGER'S EVALUATIONS ON 2017 ACTIVITY PERIOD AND FUTURE EXPECTATIONS

The average growth in the life insurance market was 35.8%. However, Cigna Finans secured a growth of 60.1% to secure a great achievement.

Dear Customers, Shareholders and Colleagues,

2017 was a good year in terms of both Turkish and the global economy.

In Turkey, there was a credit expansion and an increase of the domestic demand supported by the Credit Guarantee Fund (KGF) and fiscal incentives. Regarding the global economy, the growth rate exceeded the expectations. These developments had a significant impact on the achievements of the previous year.

The finance sector was certainly one of the main drivers of the national achievements. The credit expansion heated up the banking industry and had an indirect effect on the insurance sector. We made good use of this opportunity thanks to the strong collaboration with QNB Finansbank, our business partner and shareholder.

The average growth in the life insurance market was 35.8%. However, Cigna Finans secured a growth of 60.1% to secure a great achievement. Furthermore, we increased our market share from 5.4% to 6.4%. Total premium production in Life and Personal Accident insurance reached TL 482 million. In Individual Pensions, our funds increased by 17.8% from TL 563 million to TL 663 million.

Revenues increased by 57.5% and total profits increased to TL 55.1 million.

In addition to the figures we achieved in 2017, we are also proud to have strengthened the Company strategies which made these achievements possible.

Our priority in redefining the corporate strategies have been to provide the best services and solutions for our customers and position the Company as the business partner of choice. In this sense, our each and every priority is focused on creating effective and valuable outputs.

Strong Cooperation with QNB Finansbank

QNB Finansbank continues to grow stronger thanks to its strong financial infrastructure, wide service network all around Turkey and a dynamic team. At the end of the fourth year of this privileged partnership, the Bank's growing sales team ensured a sales growth exceeding 100%. The credit-related product portfolio was diversified with innovative products based on requirements and we increased the rate of non-credit products in our sales.

Insurance products are offered not only through branch channel but also via ATM, online and mobile channels of our business partner. We also increased sales opportunities by integrating various banking products with credit life products.

We will continue to implement more ambitious projects to offer better options to our customers.

Our Objective is to Maintain Long-term Relations With Our Customers

We are a big family with more than 1.5 million customers. Our priority is to understand their needs well and offer them the best services. In this sense, we will continue to be more than just an insurance company with a strong sales team, long-term product portfolio and after-sales services. Focusing on our customers and their needs helped us reach better results in terms of figures. In 2017, the number of our loyal customers increased by 79%. Number of policies per customer increased from 1.39 in 2016 to 1.63 last year.

Digitalization and Infrastructure Improvements

We make competitive investments in digitalization within the scope of 2020 objectives. Our purpose is to build an end-to-end digital business model to offer better services.

We rebuild our infrastructure and integrate our systems to digitalize all functions of the Company. In this sense, there are a number of completed or ongoing projects including online sales channels, voice analysis, operational efficiency projects, online collection, and automatic reporting systems.

We aligned our digital channels for an efficient customer experience; we received the International Stevie Award with the new corporate web site and Golden Social Media Award with iyihisset.com, our healthy life platform.

New Opportunities

In the time to come, we plan to take active action in new business lines, technologies and approaches which will give us new opportunities. In this process, we will make use of the international knowledge and experience of Cigna, our strong partnership with QNB Finansbank and our competent sales teams. We believe that our efforts and achievements will help Cigna's global strategies.

We also continue to diversify our business with new distribution channels. We completed the process of integration with QNB Finansleasing to offer services to our leasing customers. We also started new projects to improve our business model.

Investing in People

The most important asset which made our accomplishments possible is the young and dynamic work force. At Cigna Finans, each and every one of us is a part of the shared objectives despite our various roles and responsibilities. We are a big family of 800, gaining strength from each other.

In this sense, we attach great importance to the satisfaction of our employees. As we did in 2017, we will continue to invest in our people with various applications and projects in the new term. Last year, we designed and implemented innovative training programs to support our strategies. Training hours increased by 25% and costs were reduced by 22%.

My profound thanks goes to our shareholders, customers and colleagues who supported all leaps that Cigna Finans taken forward in 2017 activity period.

We hope to continue our accomplishments in the forthcoming period.

Best regards,

Gail Costa
General Manager



Focusing on our customers and their needs helped us reach better results in terms of figures. In 2017, the number of our loyal customers increased by 79%. Number of policies per customer increased from 1.39 in 2016 to 1.63 last year.

Turkey, World and Sector Outlook in 2017 and an Assessment of Our Company's Position in the Sector in 2017

Turkey, World and Sector Outlook in 2017

World Economy

General

The recovery which started in the second half of 2016 following the two-year negative indicators in the global economy before 2017 continued and became general in 2017. In 2017, the global trade increased despite the geopolitical issues, financial uncertainties and protective foreign trade policies.

Global Economic Outlook report issued by OECD in November 2017 estimates a global economic growth of 3.6% this year, 3.7% next year and 3.7% in 2019. US economy is expected to grow with fiscal incentives. The growth estimations are 2.2% this year, and 2.3% next year. Inflation indicators in the USA were weak as compared to the growth.

The report estimates the growth in the Euro Zone 2.2% this year, 1% next year and 1.9% in 2019. The growth estimates for the Chinese economy were 6.8% and 6.5% for 2017 and 2018 respectively.

The growth trend which started in 2016 and continued in 2017 in the developed economies supported the developing economies.

The European Central Bank (ECB), a major central bank which hugely effects the global markets, maintained a cautious monetary policy in response to moderate inflation rates. Despite FED and ECB which started to withdraw monetary incentives, Bank of Japan (BOJ) announced that loose monetary policies will continue.

Bank of England (BoE) increased the interest rates in November 2017 for the first time in 10 years. Following the interest rate increase, the inflation rate was similar with October. People's Bank of China (PBoC) maintained cautious and neutral monetary policies which provided positive results.

At the last meeting in December, FED increased the interest rate by 0.25 points and closed 2017 three actions of interest rate increase. The interest rate range was increased to 1.25-1.50%. At this meeting, FED authorities said that they expected three interest rate increases in 2018.

Expectations in Future Period

International Monetary Fund (IMF) declared the expectation for global economic growth for 2018 and 2019 as 3.9% in the Global Economic Outlook (GEO) Report.

The GEO report revised the USA economic growth from 2.3% to 2.7% for 2018 and from 1.9% to 2.5% for 2019.

The IMF report increased the Euro Zone growth estimate from 1.8% to 2.1% for 2018 and maintained the estimate at 1.9% for 2019. There is no estimation of a significant increase in the inflation, therefore the current monetary policies are expected to continue.

The report revises the growth expectation of IMF for China in 2018 up from 6.3% to 6.4% and declares the expectation for 2019 as 6%. The report states that IMF's growth estimates for Russia are 1.7% for this year and 1.8% for 2018.

The growth trend in global economies in 2017 is estimated to continue in 2018. Data on 2017 indicate that 2018 will be a positive year for the markets. However, despite the positive economic indicators, there are certain issues regarding foreign politics which may reverse these indicators.

Turkish Economy

General

In the "Global Economic Prospects" report by the World Bank, 2018 growth estimation for Turkey was stable at 3.5%. Measures taken and the global economic growth have an impact on the growth of Turkey which exceeded the expectations. The inflation rate increased as a result of the growth and interest rates increased as a result of the external debt. The need for foreign financial resources increased the foreign exchange rates.

As a result of the GDP data derived using the expenses method, special consumption expenses made the largest impact on growth. GDP data derived from the production data suggest that the largest impact on growth was made by service and manufacturing industries.

The Consumer Price Index (CPI) has increased by 11.92% and Domestic Producer Price Index (DPPI) has increased by 15.47% in 2017 as compared to December last year.

Based on the data issued by Turkish Statistics Institution (TUIK), the monthly increases were 0.69% for CPI and 1.37% for DPPI as compared to December last year.

The unemployment rate in Turkey decreased by 2.3 points to 10.4% in December 2017 as compared to the same period of the last year. The number of unemployed people in this period decreased by 581 thousand to 3 million 291 thousand.

TCMB increased the late liquidity frame by 50 base points in its final meeting in 2017 due to the increases in foreign exchange and inflation rates.

The budget deficit was lower than expected in 2017. The budget deficit was 47.4 billion and primary surplus was 9.3 billion. The global trade increased. In 2016, the loss in the tourism industry was compensated. Though, the increased energy demand and gold imports in 2017 were the main reasons of the budget deficit.

Expectations in Future Period

In the Medium Term Plan issued in October 2017, the growth for the next 3 years is estimated as 5.5%. The inflation is expected to stay high due to the exchange rate pressured by political and global developments as well as foreign funding requirements. Inflation estimations are 10% for 2018 and 9% for 2019.

IMF revised the growth expectations for Turkey in 2018 from 3.3% to 3.5%. On the other hand, inflation expectations are 10.9% for this year and 9.3% for the next year.

In the Global Economic Outlook (GEO) report issued by the World Bank in January 2018, economic growth expectation for Turkey was revised up from 4% to 6.7%. The institution did

not change its expectations for 2018 and 2019. They were stable at 3.5% and 4%. The Report states that Turkey is in a period of recovery which exceeds the expectations and the higher employment participation rate of the young people is a significant factor in the country's growth.

Insurance Sector in 2017

According to data provided by Turkish Insurance, Reassurance and Pension Companies Union (TSB), premium generation in 2017 has increased by 14.9% as compared to the previous year and reached TL 46 billion 505 million. TL 39 billion 660 million of this generation total comes from non-life categories and TL 6 billion 844 million comes from Life insurances category. The annual increase in non-life branches has been 11.9% whereas the increase in life insurances has been 35.8%. In 2017, an increase has been observed in automotive insurances when compared to the previous period and automobile insurances (Kasko) increased by 12.06% and automobile liability insurances (Traffic) increased by 0.49%.

Individual Pension System

As per the data provided by Pension Supervision Center (EGM) on 29.12.2017, 296,856 people are in the system as of 2017. The total number of people in the system has increased to 6 million 923 thousand by 4.48% as compared to the same period last year. At the end of this period, total net asset value of the funds in the system has increased to TL 67 billion 681 million by 26.72% as compared to the previous year. The number of people retired from the system has reached 63 thousand 877.

Proposed Law on Amendment of the Individual Pension Savings and Investment System Law which requires all employees under the age of 45 to enroll automatically through their employees has been accepted by TBMM General Assembly and put into effect.

This law requires that all Turkish citizens who are under the age of 45 and wagers are to enroll to a pension scheme through a pension agreement drafted by the employer in accordance with the regulations. The law is in force as of January 1, 2017.

Evaluation of Activities in 2017 and Position of the Company in the Sector

Our Company that started its operations as of November 2007 is a dynamic, innovative, competitive and efficient company that renders services in individual pension, life and accident insurance categories at international standards. Our Company got off to a running start in 2007 and in 2017, it was one of the growing companies in the sector due to the impact of the synergy created with QNB Finansbank A.Ş., main partner and distribution channel of our company in individual pension and life and accident insurance categories.

26 years in banking sector, QNB Finansbank A.Ş. has vast experience, competent human resources, strong financial structure and extensive branch structuring and from the first day of its operations, they have been an important factor for us in terms of high quality and reliable services that we render to our customers.

Our Company, improving its successful development style every

day, started to carry out its operations under the commercial title of "Cigna Finans Emeklilik ve Hayat A.Ş." as of year 2012 after the partnership contract signed between QNB Finansbank and Cigna. In November 2012, two leading companies in their respective fields, Finansbank and Cigna, joined together to share their expertise in life insurance and pensions segments. According to EGM data published on 29.12.2017, our company, that entered the individual pension sector in 2008, ranked in 14th position in individual pension category according to fund size with total number of participants of 106,710, contracts of 114,586, collected contribution share of TL 532,9 million and fund size of TL 663,1 million. According to data of Association of the Insurance, Reinsurance and Pension Companies of Turkey (TSB) by the end of December 2017, our Company has a market share of 6.4% in life insurance category and is ranked 7th in life insurance premium generation level with a total premium generation of TL 438,349,118.

We concluded the first individual pension contract on 30 November 2008 and our objective is to render the best services to its customers as a pension and life insurance company that achieves a sustainable and rapid growth in the sector, that is customer oriented, innovative, dynamic and that creates a difference in the market.

Individual Pension System

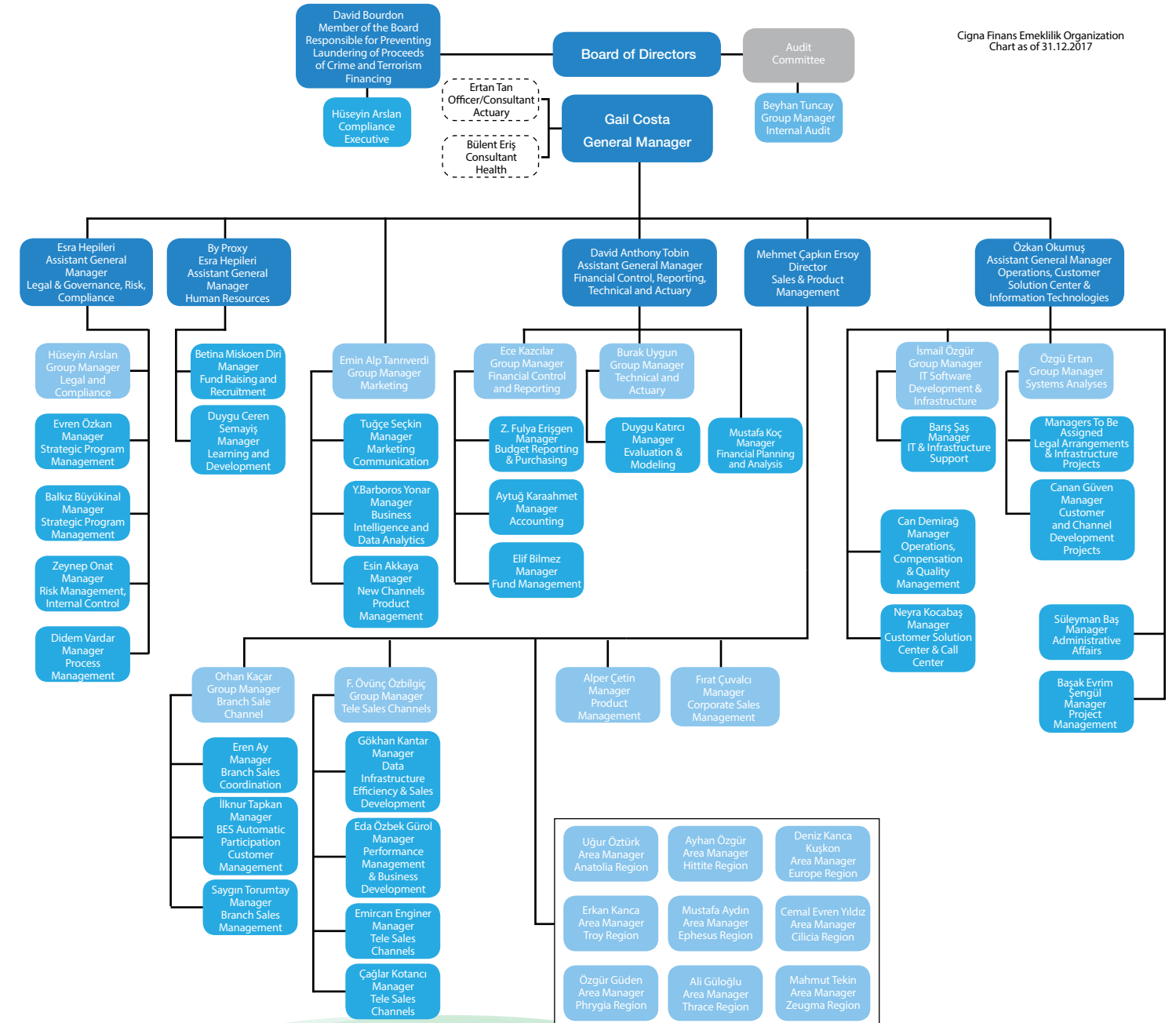
EGM data showed that growth in the number of participants continued to increase in 2017 and as of 29-Dec-17 number of participants in IPS reached to 6 million 922 thousand 615 people and the total fund amount to TL 67,7 billion and total state subsidy amount to TL 52,5 billion.

Contact Numbers, Addresses, Regional Offices and Company's Organization Chart

Cigna Finans Emeklilik Regional Representatives

Regions	Regional Manager	Region Address
THRACE	ALİ GÜLOĞLU	Çobançeşme Mah. Sanayi Cad. Nish İstanbul A Blok No: 44 Kat:12 Bahçelievler / İSTANBUL
TROY	ERKAN KANCA	Şehit Nevres Bulvarı No: 8 Kat: 5 Alsancak - Konak / İZMİR
EUROPE	DENİZ KANCA KUŞKON	Gayrettepe Mah. Yıldız Posta Cad. No: 52 D Plaza Kat: 9 Beşiktaş / İSTANBUL
CILICIA	EVREN YILDIZ	Çınarlı Mah. Cumhuriyet Cad. No: 6/1 Renk Apartmanı Seyhan / ADANA
PHRYGIA	ÖZGÜR GÜDEN	Yukarı Dudullu Mah. Tavukçuyolu Cad. No: 260 K: 3 Ümraniye / İSTANBUL
EPHESUS	MUSTAFA AYDIN	Şehit Nevres Bulvarı No: 8 Kat: 5 Alsancak - Konak / İZMİR
ANATOLIA	UĞUR ÖZTÜRK	Kozyatağı Mah. Kaya Sultan Sk. No: 83 Nanda Plaza Kat: 4-5-6 Kadıköy / İSTANBUL
HITTITE	AYHAN ÖZGÜR	Atatürk Bulvarı No:140 Kat: 2 Kavaklıdere / ANKARA
ZEUGMA	MAHMUT TEKİN	Mücahitler Mah. Gazimuhtarpaşa Bulvarı No: 48 Şehitkamil / GAZİANTEP

Cigna Finans Emeklilik Organization Chart as of 31.12.2017



Information about Research and Development Practices Regarding New Services and Activities

Activities of Alternative Distribution Channels

In 2017, we took a number of actions to improve the Alternative Sales Channels implementations to increase the sales efficiency.

- Within the scope of the data efficiency project, products required by customers were determined using analytic models to boost customer satisfaction and increase the capacity by 20%.
- An end-to-end analysis of the search system was made and processes including data filters and best search timing were improved. With this detailed project, we now have the first place in terms of Tele-Sales Consultants efficiency among Cigna countries in 2017.
- With the automation of real-time sales tracking, sales teams and sales management performance can now be monitored digitally, instantly and on a daily basis, with sales figures and objective achievements sorted by individuals and teams.
- Speech Analytics System was implemented to improve the sales presentations and customer relations. To ensure system analytics focused on sales development, a new Sales Development team was organized at Tele-Sales and steps are taken to ensure that all analyses are automatic.

- Branch and Tele-Sales persuasion teams were combined in 2017 and persuasion and no collection calls are now handled by a single team to save time and resources.

- In 2017, Tele-Sales office was relocated for a better ergonomomy with a focus on efficiency and employee satisfaction.

Branch Sale Channel Activities

- In 2017, Branch Sale Channel Management achieved 76% increase premium production in Life and Personal Accident insurance category compared to 2016. Non-credit production has increased by 21%.

- We focused more on the commercial profit center as of the second half of 2017.

- In 2017, the “efficiency increase” focus continued to be a priority and many new applications have been put into practice with this strategy. Branch Sale Channel Management continued all its activities and main objectives of works that are being monitored, in a way that all shall serve to increase sale efficiency.

- In 2017, many projects were implemented in corporate and individual segments and more risks of QNB Finansbank and the customers were secured. In cooperation with the segment managements, the concept of insurance was better understood.

- Our strong integration with the Bank, simple sales processes and rule sets have allowed us follow up penetration.

Product Development Activities

In 2017, Cigna Finans enriched its pensions product portfolio with new products and aligned it with QNB Finansbank’s credit-focused product line. New collaborations were made with group companies including Enpara platform and QNB Finansleasing. Furthermore, existing products have been revised according to customer needs, company requirements and changing regulations so that all stakeholders can benefit more from these.

Insurance solutions were developed for QNB Finansbank web site and credits provided through ATM channel. Systems were integrated with QNB Finansbank’s mobile platforms. For the first time in the history of the Company, Premium-Repaying Individual Accident Insurance was developed.

Actions to ensure compliance with the regulations made by the Treasury in Individual Pension were completed in a timely manner. The participants were informed as required and customer satisfaction was ensured.

Within the Scope of Life and Personal Accident Insurance

In 2017, Cigna Finans Emeklilik completed the integration of life insurance with the credits offered by QNB Finansbank on its web site. In the same term, credit life insurance option was added to QNB Finansbank’s mobile banking app and policy issue started on mobile platforms.

In 2017 Q3, the sale of Cancer-Protected Premium-Repaying Individual Accident Insurance through QNB Finansbank branches and the sale of Premium-Repaying Individual Accident Insurance through Tele-Sales Center started. In the same period, Digital Confirmation process was implemented

to ensure an easier transaction via SMS confirmation. Also, credit life insurance can now be purchased via Enpara online banking platform web site and the mobile application.

In the final quarter of the year, credit life insurance associated with credits through QNB Finansleasing was launched.

Within the Scope of Individual Pension

Cigna Finans Emeklilik continued to respond to the needs of its customers in Individual Pension category, which it started operations as of April 2008, with Easy, Elit, FinansMaaş, Private Banking Customers Hanımeli and New Generation Private Pension Plans designed for customers that have different risk perception under each strategic group, and with Dynamic Individual Pension Plan suitable for distance sales.

Furthermore, the company continues to meet the demands of enterprise customers through special retirement plans for groups and employer group retirement plans.

Arrangements required by the Automatic Participation system which started with the amendments to the Private Pension system were made in full and in a timely manner.

Marketing Activities

Strategic Marketing Activities

In 2017, Strategic Marketing Unit (a part of the Marketing Group) played an active role in planning, coordination and implementation of the improvement and development of our points of contact with the customers in line with the principle of “Establishing Long-term Relations With Customers”, a part of Cigna Finans strategy.

In addition, the Strategic Marketing Unit supported the efforts to follow up competition and develop added value services to secure a competitive edge for Cigna Finans.

The unit also supported the data requests and process improvement projects by various units as well as all channels for campaign management.

In this sense, the Strategic Marketing Unit focused on market research in 2017. 8 market researches varying in size and content were completed. As a result of these researches, Cigna Finans determined new areas of activity, products and processes.

Campaigns, another area of responsibility for the unit, continued to grow. The unit supported the Alternative Sales Channels with 7 monthly campaigns to help achieve the sales objectives. In addition, the unit supported the Banking Insurance Channel with 4 campaigns and helped them create new business opportunities.

In the last quarter, the Strategic Marketing Unit assumed responsibility of the Customer Notification Process and worked to ensure accuracy and integrity at all points of contact with the customers. 5 control points were formed and certain problems in the communication process were resolved in a short time.

The unit continued to conduct analyses and issue reports to analyze the market and the customer dynamics. Customer Trend analysis have been developed and shared with the Company management with regards to various analyses like cross sale rates, number of customers and policies, demographic data, reasons for customer revenue-loss in order to understand the customer trends and generate financial data. The points of strength and weakness of Cigna Finans as compared to its competitors in terms of market, strategy

and products were determined. Also, to support managerial decision-making processes, analysis were made regarding many issues like cross sale opportunities, current portfolio opportunities, customer behaviors.

Marketing Communication Activities

Cigna Finans is a partnership of QNB Finansbank and Cigna, a leading bank in Turkey and a global leader in insurance. The Company continued its 2017 activities with the strategy of "offering more than insurance and focusing on customers".

The main commitment of Cigna Finans is to offer a better life to its customers. In this sense, iyihisset.com content platform is a first in the sector. This platform shares contents to improve the lives of people on a number of issues including health, sports, career and family. The visitors of this web site exceeded the expectations. We won the gold medal in the Best Corporate Blog category at the Social Media Awards organized by Marketing Türkiye. We plan to turn this platform into a distinguished platform through which we will offer new opportunities to our current customers.

With the increasing need for digitalization, Cigna Finans adopted new strategies to increase the interaction with customers through actively used social media accounts. Interaction is ongoing through Cigna Finans and iyihisset.com Facebook, Twitter and Instagram accounts.

The corporate web site was revised to offer a better user experience based on user routines and new digital trends. With this project, we were granted with the Silver Stevie at the International Stevie Awards.

A sales service for online completion of all process steps from product selection to policy issue was established under the

corporate web site to offer a simple and easy-to-understand purchasing process for the customers and we will launch the web site in the time to come.

Activities of Data Analytics and Business Intelligence Department

Data Analytics and Business Intelligence Department was formed in the last quarter of 2017 to create consolidated data resources, deploy central business intelligence and reporting applications throughout Cigna Finans and create analytic models and data-focused business models.

2017 activities of the department are as follows;

- Data analytics and business intelligence platforms were evaluated and areas of improvement were determined.
- The methodologies and roles at the Data Analytics and Business Intelligence Department were defined.
- Roles were assigned to the department and implemented.

Cigna Finans Headquarters responded to instant queries and data requests from Tele-Sales and Field Sales Teams. Dashboards used by the senior management were developed. A roadmap was developed for the automation of current business intelligence processes and the implementation of steps are in progress.

Call Center Activities

Cigna Finans Pension Call Center operates via 0850 222 0 860 between 8 AM and 6 PM in the weekdays.

Trainings are ongoing to provide the Call Center services

with the best level of customer satisfaction. The Quality Department conducts monthly quality measurements for all employees and organizes monthly meetings.

Net Promoter Score is measured to receive feedbacks from the Call Center customers. This measuring process on the customers perception of services provided under various titles was implemented in 2017.

The mystery customer program was continued in 2017 to measure the quality of service provided by the Call Center. This program helped measure the quality and take action to increase it.

"Welcome Survey" calls were made to determine the needs of the customers and these results were shared with the relevant departments.

In the activity year 2017, we continued to use scorecard method, one of the modern measurement methods for monitoring and evaluation of the performance of Call Center personnel in a systematic way.

In 2017, a special team was assigned at the Call Center for promotion activities aimed at customers who request cancellation of life insurance products related with customer risks (MRY). The team was trained on convincing customers who call the Call Center and request the cancellation of a MRV product and they also carry out promotion activities.

Customer notification and calling activities which used to be carried out by only the outgoing calls team are now blended through the system and incoming and outgoing calls teams were combined to increase efficiency.

In 2017, in addition to the Call Center, we started services via webchat.

In 2017, a system was established to allow customers who wait for more than 3 minutes on the IVR receive an appointment and now the Call Center calls these customers back.

Within the scope of year 2017 activities of our Call Center;

373,264 calls arrived and were responded to. Regarding Life Insurance and Individual Pension products of Cigna Finans, all addendum demands of the insured and participants were met.

We have played an active role in creating satisfaction by swiftly solving customer complaints regarding our products and services.

Quality Control calls to customers who filled in Individual Pension proposal forms continued and Quality Control calls started for customers who purchased Cardfinans Statement Guarantee Policy and Premium-Repaying Cancer Protection Policy.

Within the scope of collection-increasing activities, participants and insured customers were contacted via phone and informed about outstanding contribution and premium installments, and whenever required, information about new payment instruments are taken to ensure collection of necessary amounts.

We have continued our promotion activities towards Individual Pension products with Life and Personal Accident insurances.

Callback requests were handled by the Call Centers Outgoing Calls team. We have conducted all outgoing call activities on various subjects in line with the needs of our divisions.

Insurance and Individual Pension Operational Activities

In 2017, we have met all addendum requests regarding life insurance and individual pension contracts within the scope of Operation & Indemnification Division's activities, and sent all policies, certificates, contracts, receipts and account summaries to the participants within the scope of the applicable regulations. Within the scope of the Automatic Enrollment Private Pension System launched in 2017, agreements were signed with employers and employers and enrolled employees were supported.

In 2017, the central operation unit issued 63,481 participation certificates and policies in the life and individual accident segment and 82,967 annexes were issued within the scope of life and individual accident operations. 483,012 policies and certificates were sent to the customers.

General asset checks were made for 1,886 forms and 1,406 Individual Pension contracts were mailed to participants within the scope of individual pension activities. Also, 49,772 change transactions were performed.

9,020 claim notices were assessed and a total compensation of TL 73,396,007 was paid to the bank, insured and other beneficiaries in 2017 within the scope of Life and Personal Accident Insurance damage transactions.

Operations and Indemnification Division as well as the sales teams and main distribution channel is in close contact with insurance related business units of QNB Finansbank and has ensured the coordination to execute and develop the operations and indemnification work flows in a healthy way.

In 2017, all operational activities were reviewed, studies were conducted to increase effectiveness of workflows, and cost-reducing projects were successfully implemented, contributing to the Company's profitability.

Customer Service Activities

Within the field of activity of After Sales Service Department, the processes are carried out to record complaints of customers, to forward them to relevant departments and to send responses that cover information about results of evaluations to relevant organization/to the person that sent the complaint. Information about such complaints are investigated thoroughly and reported to Senior Management of the Company and Prime Ministry Undersecretariat of Treasury regularly and within periods specified in regulation.

The Company's responds to verbal complaints in 2 business days and written complaints in 10 business days. If the research regarding a complaint is in progress, the customer is called and notified on the process and the estimated time of solution. In 2017, Post-Sales Services Unit made the calls on the results of the complaints.

Post-sales Services Department functions as a bridge between the Call Center and other operational business units. The Company checks whether or not the resolution times for the requests and complaints made to the communication channels are within the limits set forth by our work flows as well as the regulations.

Customer Services activities include;

Within the year, 7,389 complaints were made to QNB Finansbank A.Ş. and the Company regarding the products and services. 40% of verbal complaints and 74% of written complaints were responded to in the same day.

SMS notifications to the customers within the product life cycle are now being automated. We have also conducted and completed activities for e-mail notifications in addition to SMS.

We have continued the internal «Net Promoter Score» measurement also for the services provided by our Customer

Services personnel via e-mail.

The assessments were checked monthly and the effectiveness of aftersales team members was improved through regular product and legal trainings.

In order to improve operational effectiveness, we have conducted several system development activities and realized automated sending of documents requested by our customers about their policies and contracts via IT infrastructure.

Information Technologies Activities

Cigna Finans Emeklilik ve Hayat continued its efforts for improving the IT system infrastructure, increasing operational process efficiency, investing in digital projects and implementing practices that meet customer needs and cover customer risks in addition to new products in 2017. Within the scope of compliance with regulation amendments, software development activities were completed and commissioned on time.

With the approach of making more effective use of digital channels by Cigna Finans and QNB Finansbank, a number of projects were implemented in 2017 to allow sale of insurance products through digital channels.

Cigna Finans Information Technologies Group focused on strategic projects. In this sense, projects implemented in collaboration with QNB Finansbank included E-KMH, KrediGo, Infinity, "Finans Leasing", "Enpara", "Digital Approval", "Integration of ATM and Mobile Channels with Commercial and SME Segments for Non-Credit Insurance Products", "Operation Service Desk", "Purchasing and Cost Tracking", "Online Collection" and other digital projects were completed this year. In 2017, also another major project, "Repayment Product Infrastructure (ROP)" project was implemented. Phases 2 and 3 of the Automatic Participation Project which started in 2016 was completed as of the end of 2017. "Closed Group Insurance Product Structure"

project helped us ensure a more effective, more digital and more interactive environment.

This project, completed in 2017, ensured insurance generation through non-bank channels.

In 2017, a number of projects and system developments were implemented for the Tele-Sales channel to improve the processes.

Application systems are continually improved with latest technologies based on requirements to ensure fast, uninterrupted and secure services.

In 2017, infrastructure capacity plans were made in line with the business plans. The most efficient technologies were used, virtual servers were preferred to physical servers to ensure fast and seamless installations. These infrastructure improvements helped achieve an agile infrastructure and increase the pace of the project.

Regarding the information technologies, the critical issue is the data security. Security applications are kept up-to-date to protect the systems. Preparation works were completed for PCI DSS Security Certification.

ISO27001 ve CoBIT audits conducted by two independent auditors on "Information Technologies Infrastructure Management", "Software Development" and "Information Security" were completed with minor findings.

Project Management Activities

In terms of the activities of the Project Management Office, 2017 was a very efficient year when 50 projects supported by the main strategies were implemented to support the Company's mission. In 2017, the number of projects increased by 35% thanks to the increased efficiency of the internal resources of the information technologies team as well as the integration of smart solutions with the providers of support services.

In 2017, our main focus was on implement projects which serve the Company strategies to support the results which help achieve sales objectives using the digital channels and solutions as well as the latest technologies.

In this sense, the primary focus was on projects which will "increase the level of collaboration with QNB Finansbank", our major sales channel. In 2017, insurance products were integrated with QNB Finansbank's digital channel projects to the full extent. Projects including "E-KMH, KrediGo, Infinity" helped integration of insurance products with the Bank's major products and segments. Another major step is the implementation of significant projects with the Bank's affiliates including "QNB Finansleasing" and "Enpara". With the "Enpara" project completed in Q3, insurance products were integrated with Qpara channel and the premium production from the Company's digital channel increased to 43%. These projects have also helped the Company's two main strategies, "Digitalization" and "Establishing Long-term Relations With Customers".

In 2017, another focus was on "Digitalization". Other issues of the Company include digital marketing, digital sales, digital services, innovation and digital processes of the Company. In this sense, "Net Conversion" project which started in 2016 was completed and many revisions were implemented including 355 screens, web services and others. Another major project was the "Speech Analytics" project completed in 2017 in collaboration with Sestek within the scope of the long-term POC project. It is now used by the Call Center, Tele-Sales and Quality Control teams. "Operation Service Desk" project was implemented in collaboration with Jira for the management of the Operation Center from a single center. This project helped improve the expertise of BES, Life Operation and Compensation teams. The project also supports the efficiency and transparency of the reporting process used by the whole team. "Purchasing and Cost Tracking" process, a long-term manual process, was automated. With the successful project implemented in collaboration with the finance teams, all approvals starting from the purchasing step are controlled by the system in terms of limits in line with the Company procedures and receipts are automatically generated with the integration of the cost processes. With the "Online Collection" project, a major step of digitalization, new functions helped achieve sales objectives. Finally, with the "Tele-Sales Process Development" project, the level of integration was increased and certain developments in the system infrastructure ensured more effective processes.

Another main strategy is "Establishing Long-term Customer Relations". Within the scope of the activities of the Project Management Office, many projects were implemented in 2017. One of them is the "Digital Approval" project implemented in collaboration with QNB Finansbank. This project covers many banking and insurance products, channels and segments. Other major projects in 2017 included the use of "ATM and Mobile" channels by "Commercial and SME Segments for Non-Credit Insurance Products". These projects allow the customers purchase insurance products 24/7 and help us invest in customer relations. This is also a huge step in "Digitalization".

2017 was also an important year in terms of data security and business continuance. In this sense, preparation works were completed for PCI DSS Security Certification within the scope of the PCI program. Cigna Finans Project Management Office was also responsible for keeping the BCM Plan up to date, coordinating the business impact analyses with business units, and backing up critical systems for business continuity and organizing tests for implementing all processes for working of key users at alternative locations.

In 2017, a total of 50 strategic projects and programs were implemented. These included 22 Sales and Marketing projects, 11 Finance projects, 9 Legal Compliance projects, 5 Operational Efficiency projects and 3 Tele-Sales projects. A number of new ideas were developed for 2018 and preparations are underway to keep the same pace.

Technical and Actuary Activities

Total number of life insurance policies/certificates in effect as of 31.12.2017 is 2,267,218 and total life insurance premium production is TL 438,349,117.72.

In life business, total number of personal accident insurance policies/certificates since 31.12.2017 is 129,080.00 and total premium production is TL 44,120,394.

Average death benefit of existing 2,267,218 life insurance policies/certificates is TL 13,324.79 as of 31.12.2017.

Age distribution of the insured in the life insurance segment is given in the table below and the customers which purchased services in 2017 are mostly in the range of 28 to 47.

As of 31.12.2017, Death Benefit Amount Distribution of Life Insurance in force, according to age groups:

Age Range	Personal	Group	Total Death Benefit (TL)	Rate (%)
18-27	590,536,994	1,852,906,110	2,443,443,104	8%
28-37	2,912,218,317	7,567,574,516	10,479,792,833	34%
38-47	2,895,657,881	7,419,601,425	10,315,259,306	34%
48-57	1,102,479,453	4,145,528,813	5,248,008,266	17%
58-67	271,661,309	1,687,737,568	1,959,398,877	6%
68-77	8,942,897	64,075,600	73,018,498	0%
78-87	-	1,260,000	1,260,000	0%
88+	-	273,000	273,000	0%
Total	7,781,496,851	22,738,957,032	30,520,453,883	100%

Death benefit amount for life insurance in force is TL 30,520,453,883.05 as of 31.12.2017.

Number of Life Insurance Policies/Certificates and Total Death Benefit Amount as of 31.12.2017:

Insurance Period	Number of Policies/Certificates	Total Death Benefit (TL)
1 year	1,160,691	9,287,706,512
2-5 Years	1,056,971	18,010,498,074
6-10 Years	48,589	3,125,753,540
Longer than 10 years	967	96,495,757
Total	2,267,218	30,520,453,883

Process Management Activities

The objectives regarding the Company functions;

- Ensuring that all rules are in written,
- They are in line with defined processes and task definitions,
- Measuring processes and ensuring continuous improvement,
- Designing processes with new projects and/or demands,
- Monitoring processes,
- Definition and correction of process issues and problems,
- Ensuring a continuous improvement infrastructure

The objectives were ensuring efficient processes and business management with suitable costs as well as maintaining the functionality of the implementation through written documentation.

In this sense, Process Management approach is defined under the following topics:

1. Process Design:

- Defining the current status of processes,
- Defining repeated problems,
- Taking corrective action to remove them.

2. Process Monitoring:

- Confirmation of the compliance of deployed processes with specified KPIs,
- Collection and analyses of data to correct non-compliant and insufficient results,
- Regular reports and planned/scheduled implementation.

3. Process Maintenance:

- Process review based on process monitoring results,
- Implementation and issue of required arrangements on processes.

Remarks on Special Audits carried out within the Account Period and Public Administration

Information about private and public scrutinizes carried out at Cigna Finans Emeklilik ve Hayat A.Ş. during 2017 account period are listed below.

Public Scrutiny:

In 2017, we have also been audited by the Undersecretariat of Treasury with regards to state subsidies in Individual Pension System.

Private Scrutiny:

1. Accounting standards and principles determined according to Insurance Law no. 5684 and Individual Pension Investment and Savings System Law no. 4632 in force, based on explanations and essentials stated by R.T. Prime Ministry Undersecretariat of Treasury, independent audit of financial statements prepared by the Company for the account period, as required by "Regulation on Independent Audits carried out Insurance and Reinsurance and Pension Companies" published in Official gazette no. 26934 dated 12 July 2008, were carried out by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

2. PwC Yeminli Mali Müşavirlik A.Ş. carried out certification of accuracy of audits and certifications of Annual Revenue and Corporate Tax Return and attached financial statements and tables and/or other works according to Law no. 3568 and regulation.

3. Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. evaluated efficiency, adequacy and compliance of control mechanism designed and implemented over processes and systems regarding financial data production and information systems of our Company according to "Regulation on Audit of Bank Information Systems and Banking Processes to be carried out by Independent Audit Companies" published on Official Gazette no. 27461 dated 13 January 2010 by Banking Regulation and Supervision Agency.

INDEPENDENT AUDIT'S REPORT ON THE ANNUAL REPORT BY THE BOARD OF DIRECTORS

To Cigna Finans Emeklilik ve Hayat A.Ş. Board of Directors,

1. Opinion

We completed audit of annual activity report of Cigna Finans Emeklilik ve Hayat A.Ş. for the account period January 1 - December 31, 2017 ("Company").

It is our opinion that the financial data in the annual report by the Board of Directors and the reviews by the Board of Directors on the Company using the data in the financial tables are compliant with the full set of financial tables and the information we gathered during the independent audit and that they reflect the truth.

2. The Raison of the Opinion

The independent audit was carried out in line with the Independent Audit Standards that are part of the Turkish Audit Standards ("BDS") issued by the Accounting and Auditing Standards Authority ("KGK"). Our responsibilities within the scope of these standards are explained in detail in the report section titled Liabilities of the Independent Auditor Regarding the Independent Audit of the Annual Report. We declare that we have no dependence on the Company as required by the Ethical Rules for Independent Auditors ("Ethical Rules") and the ethical rules in the independent audit legislation. We are in compliance with the Ethical Rules as well as other ethical liabilities in the legislation. We believe that evidences we obtained during independent audit is sufficient and proper basis in building our opinion.

3. Auditor's Opinion on Full-set Financial Tables

We provided positive opinions in the audit report dated March 2, 2018 on the Company's full set financial tables for the accounting period from January 1 to December 31 2017.

4. Liability of the Board of Directors regarding Annual Report

The Company is responsible for the following regarding the annual report as per Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"):

Drafts the annual report and shares it with the General Assembly in three months after the balance sheet date.

Drafts an annual report which correctly, completely, accurately and directly reflects the activities of the Company in the relevant year. In this report, the financial situation is evaluated based on the financial tables. The report also provides information on risks regarding the growth of the Company. The report also includes the opinions of the Board on this issue.

The annual report includes the following issues:

- Major and significant developments at the Company after the end of the activity year,
- Research and development activities of the Company,
- Wages, bonuses and other financial benefits paid to the board members, allowances, travel and accommodation allowances, cash benefits, insurances paid to the board members.

The Board considers the secondary regulations by the Ministry of Customs and Trade and other relevant organizations while drafting the annual report.

5. Independent Auditor's Liability on Independent Audit of the Annual Report

The objective is to confirm that the financial data included in the annual report within the scope of TCC and the reviews made by the Board using the data in the financial tables are compliant with the data collected from the Company's audited financial tables and during financial audits and that they reflect the truth and issue a report reflecting this opinion.

Our independent audit was conducted in compliance with the BDS. These standards require compliance with the ethical requirements and that the audit is planned and conducted to ensure that the financial data in the financial tables and the reviews made by the Board are compliant with the data in the audited financial tables and the data collected during the audit and that they reflect the truth.

Bağaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a member of
PricewaterhouseCoopers



Talar Gül, SMMM
Sorumlu Denetçi

İstanbul, 9 Mart 2018

INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Senior Management



Gail Costa
General Manager



Esra Hepileri
Assistant General Manager



David Anthony Tobin
Assistant General Manager



Özkan Okumuş
Assistant General Manager



Mehmet Çapkın Ersoy
Director



Hüseyin Arslan
Group Manager



Ece Kazcılar
Group Manager



Burak Uygun
Group Manager



Orhan Kaçar
Group Manager



Övünç Özbilgiç
Group Manager



İsmail Özgür
Group Manager



Özgü Ertan
Group Manager



Emin Alp Tanrıverdi
Group Manager



Beyhan Tuncay
Group Manager

INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Names and Surnames of Chairman and Members of Board of Directors, General Managers and Assistants and Managers within the scope of Internal Systems, their Period of Duty, Areas they are responsible for, Educational Background, Professional Experiences

Name-Surname	Title/Position	Educational Background	Business Experience (Year)	Communication Address, Tel, Fax, E-mail
Mehmet Ömer Arif ARAS	Chairman	Post Graduate	38	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli / İstanbul Tel: 0 (212) 318 50 00 Fax: 0 212 318 50 16 E-Mail: omer.aras@cignafinansbank.com.tr
Jason Dominic SADLER	Vice Chairman of BoD	Bachelor Degree	27	Address: 17/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong Tel: +(852) 22975128 Fax: +(852) 3412 1929 E-Mail: jasond.sadler@cigna.com
Erkin AYDIN	Member of BoD	Post Graduate	20	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli / İstanbul Tel: 0 (212) 318 50 00 Fax: 0 212 318 56 90 E-Mail: erkin.aydin@finansbank.com.tr
Adnan Menderes YAYLA	Member of BoD	Post Graduate	32	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli / İstanbul Tel: 0 (212) 318 50 00 Fax: 0 212 318 55 78 E-Mail: adnan.yayla@finansbank.com.tr
David Patrick BOURDON	Member of BoD	Post Graduate	27	Address: Cigna Corporation 1601 Chestnut ST Philadelphia PA 19192 Tel: +(852) 22975148 Fax: +(852) 3412 1929 E-Posta:david.bourdon@cigna.com
Mark Stamper	Member of BoD	Post Graduate	23	Address: Room 3401,34/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong E-Mail: mark.stamper@cigna.com
Gail Bernadette COSTA	General Manager Board Member, Senior Management	Bachelor Degree	40	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0 216 468 06 01 Fax: 216 411 28 48 E-Mail: gail.costa@cignafinans.com.tr
David TOBIN	Assistant General Manager Financial Control and Reporting, Technical and Actuary	Bachelor Degree	24	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0 216 468 04 01 Fax: 216 411 28 48 E-Mail: david.tobin@cignafinans.com.tr
Esra HEPILERİ	Assistant General Manager Legal and Compliance	Post Graduate	22	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0 216 468 06 70 Fax: 216 411 28 48 E-Mail: esra.hepileri@cignafinans.com.tr
Özkan OKUMUŞ	Assistant General Manager Operations and SSH, IT, Administrative Affairs	Post Graduate	24	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0216 468 03 69 Fax: 216 411 28 48 E-Mail: ozkan.okumus@cignafinans.com.tr
Çapkin Ersoy	Director Sales & Product Management	Post Graduate	20	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0216 468 06 50 Fax: 216 411 28 48 E-Mail: capkin.ersoy@cignafinans.com.tr
Beyhan TUNCAY	Group Manager Internal Audit	Post Graduate	18	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0 216 468 03 46 Fax: 216 411 28 48 E-Mail: beyhan.tuncay@cignafinans.com.tr
Zeynep ONAT	Manager Risk Management and Internal Control	Post Graduate	19	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No: 2 Kat: 28 34746 Ataşehir, İstanbul/Türkiye Tel: 0 216 468 06 73 Fax: 216 411 28 48 E-Mail: zeynep.onat@cignafinans.com.tr

Information About Allowances Paid, Travelling, Accommodation and Representation Expenses and Facilities In-kind and In-cash, Total Amount of Insurances and Similar Guarantees

	1 January- 31 December 2017	1 January- 31 December 2016
Salaries and similar interests paid to managers	10,459,603	9,770,457

Benefits offered to our senior managers in the years that end on December 2017 and 2016 (General Manager and Deputy General Managers) include salaries, bonus, SSI and unemployment employer's share.

Information About Activities of the Members of Board of Directors with the Company, on Its Behalf or on Behalf of Another Party and Which Fall Within the Scope of Prohibition of Competition

General Assembly of the Company granted to the members of Board of Directors, in the 2016 Ordinary General Assembly meeting dated 29.03.2017, permission stated under article 395 and 396 of Turkish Trade Code no. 6102.

Information about participation of members of Board of Directors to relevant meetings held within the Account Period

Other than situations where members of Board of Directors explained their excuses, they attended all Board of Directors meetings regularly.

Summarized Board Report Submitted to the General Assembly

In 2017, 11th activity year of our Company, total premium production was TL 482,469,511 and Individual Pension contribution amount collected excluding state subsidy was TL 181,887,573 and the Company ended year 2017 with a net profit of TL 55,138,712

Information about Human Resources Practices

Recruitment

Cigna Finans Emeklilik and Hayat closed the year 2016 with 765 employees and the year 2017 with 761 employees; 82 employees were promoted. As of the date of the establishment of Cigna Finans Emeklilik ve Hayat, number of employees of the Company at the end of each activity year is shown in the below table.

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
General Manager	1	1	1	1	1	1	1	1	1	1	1
Deputy General Manager							1	1	0		
Assistant General Manager	2	2	2	3	3	2	4	6	5	5	3
Director							2				1
Group Manager	4	4	4	5	5	8	10	10	9	9	9
Manager	4	6	7	8	9	8	14	18	21	22	28
Surveyor								1	2	2	2
Deputy Manager	8	14	14	20	23	27	31	28	32	34	30
Director								7	6	7	8
Senior Expert								4	13	12	27
Expert	5	17	23	26	30	34	33	33	36	30	27
Assistant Expert	4	9	15	24	25	28	37	11	10	15	27
Workplace Doctor				1	1	1	1	1	1	1	1
Actuary Doctor										1	1
Senior Team Member										20	24
Senior Representative										10	12
Representative										22	23
Team Member	3	7	8	13	18	20	18	51	80	38	33
(Officer /Technician /Driver /PA/ GM Assistant)	31	60	74	101	115	129	152	171	216	229	251
Number of Employees in General Directorate			4	4	6	6	7	15	15	13	9
Area Manager				4	8	9	1				
Corporate Sales Executive				4							
Area Executive	11	12	13	15	12	10	15	11	15	18	20
Area Sales Manager										6	7
Senior Area Sales Manager	45	91	91	105	116	125	161	185	219	267	264
Pension and Insurance Consultant							24	51	55	46	49
Senior Pension and Insurance Consultant										20	21
Senior Expert Pension and Insurance Consultant	7	11	13	15	8	7	10	11			
Number of Employees in Staff at Areas	63	114	121	147	150	157	218	273	304	370	370
Tele-Sales Manager									2	3	2
Tele-Sales Director							1	1			
Tele-Sales Team Leader							2	11	13	15	11
Senior Tele Sales Consultant									7	19	20
Tele-Sales Consultant							43	150	146	129	107
Tele Sales Personnel	0	0	0	0	0	0	46	162	168	166	140
Total Personnel	94	174	195	248	265	286	416	606	688	765	761

Employee Profile and Training Activities

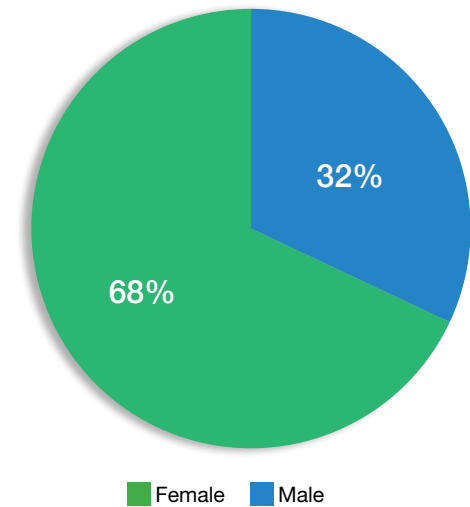
Employee Profile

Information about company personnel as of 31 December 2017 are given below. Implementation of Measurement and Evaluation Center Activities and Talent Management Programs started in 2017 for Field Sales and Tele Sales teams continued and Tele-Sales and Pension Insurance consultants that completed specific years of seniority and that demonstrate high performance were subjected to 6-month Technical Tests in terms of their career management and the ones who pass these tests are assigned as Senior Consultants.



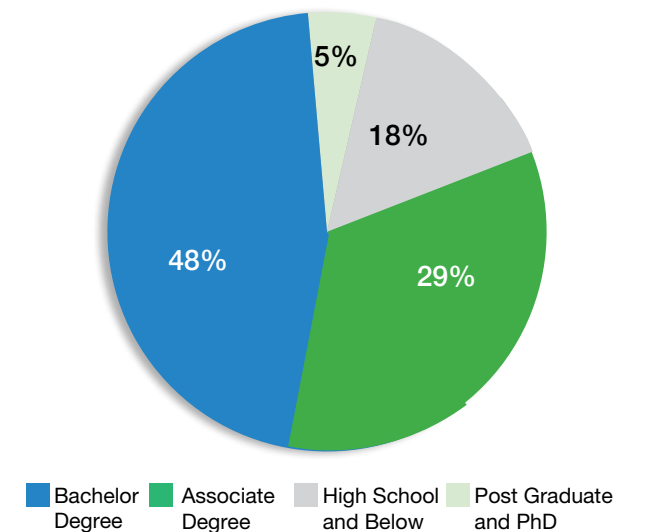
Gender Distribution

Gender Analysis of all Employees



Education

Education Levels of all Employees



Training Activities

Training and development efforts at Cigna Finans continued in 2017. Data provided by human resources were used to create the development plans and main sales roles which contribute to the Company strategy were reviewed in their efficiency cycles to continue feeding annual programs.

In this sense, "Bank Sales Channel Academies" designed for the development of the employees was reorganized in 2017 in line with the revised sales organization and introduced under the title "The Journey in Development Continues".

"Tele-Sales Academy", the training cycle designed for tele-sales activities, was also reorganized in 2017 and used successfully. The programs make effective use of a number of training tools including games, reading materials, books, audio files, social platforms, in-class training, story boards to share experiences through remote education models and outdoor activities.

Eksper Akademi, a leading training program in the insurance sector launched in March 2016, continued until May 2017 and first graduates were in July. The development academy designed to ensure a more comprehensive sharing and corporate information and encourage people to take a new career path is supported by in-house and external trainers. 9 colleagues who successfully complete the program will be equipped with fresh knowledge on the insurance sector and take a new step in their career. In 2018 Q2, the program will be updated and continued.

CIGNA FINANCE ACADEMY IN FIGURES	2014	2015	2016	2017
Number of trainings in catalogue	44	69	455	417
Number of topics in social areas	26	22	19	20
Number of videos in portal	34	48	53	56
Total number of hours per person spent in trainings	18.87	17.84	14.19	26.31
Monthly average number of people that join Cigna Finans Academy	460	612	610	658
Rate of completion of trainings	71%	80%	83%	78%

CignaFinans Academy, our e-learning platform launched in March 2014, has been the platform of sharing "internal communications, new product trainings and success stories" in the Company in 2017. The platform's objective is to transform learning into an employee loyalty program. The program updated in 2017 is now available for the employees in 2018.

The individual development program inclusive of technical and competence-based development programs designed for improvement of roles based on role-specific development roadmaps have met all expectations in 2017 and continued to help employees improve themselves.

Starting from this requirement, "Actuary Academy" organized in 2016 Q1 for the staff members of the Actuary Department continued to support the employees in 2017 with leading trainers for the Actuary Test, a major and significant certificate in the industry.

As a member of an international group, the employees benefited from global trainings out of Turkey. In this context, we have organized foreign training programs in order to prepare our employees to future roles and opportunities as part of their career development.

Education Data	2010	2011	2012	2013	2014	2015	2016	2017
Number of attendees	1,547	1,925	1,966	4,213	9,550	17,127	11,980	14,964
Training day per person	8,60	6,18	7,90	12,30	9,83	8,72	6,15	7.17
Time (man/hour)	14,818	12,113	16,239	31,709	33,863	39,588	30,830	38,397
Training expense per person	2,191	1,243	1,850	1,678	1,741	2,205	1,698	1,553.39

BES licensing and SEGEM trainings that are given since the date of establishment were organized in 2017 with e-learning method for Pension and Insurance Consultants of the Company. In 2017, 6 tests were organized for SEGEM certification and 4 tests were organized for BES Certification for the sales teams. 30 of 47 Pension and Insurance Consultants who took the BES test were qualified for certification. 137 of 295 employees who took the SEGEM test were granted with certificates. For those who have failed, we have provided an opportunity to take the tests again.

Other Human Resources Practices

Rotation

The new period of rotation for the headquarters employees started in April and September. 15 employees applied for rotation. 11 of them were subject to rotation.

I Learn at Noon

To support the development of our employees, we started activities under the title "I Learn at Noon". Through this unique method of learning, the employees meet experts and learn from their experiences. 6 events were organized in 2017. The titles were Corporate Life with Kaan Sekban, The Coffee Story with Starbucks, Healthy Nutrition with Acibadem Sigorta, Child and Human Development, Loss of Hearing and Reasons, and What We Loose for Status.

HR Supervisor Practice

HR Supervisor practice implemented for the Bank Sales Channel since 2014 was reorganized in January 2016 for the Headquarters divisions with the slogan "Stronger together". With this practice, Human Resources staff members are "business partners" of Headquarters units or sales teams in addition to

their main functions in an effort to improve the communication between HR staff and other employees. The organizations continued in 2017.

Leadership Academy

Leadership Academy was organized for the Senior Management in 2015 and Group Managers in 2016. Long-term training programs were launched in March 2017 for the Managers. The Academy will be completed with the project presentations in March 2018. It is a journey of development organized for 28 managers under the title "leadership for yourself, your job and the people". The program makes use of many learning tools including simulations, class trainings, individual and group coaching and 360-degree inventory.

Activities to Improve the Efficiency of the Recruitment Process

We started an efficiency project to manage the processes with a focus on efficiency and quality in an effort to attract and keep talent. In this sense; the processes, resources and data management were improved quality of management with a lower cost. As a result of this approach, recruitment costs per person were reduced by 25% at the bank sales channel and tele-sales channel as compared to 2015 and 58% as compared to 2016. The rate of purchase of consultancy services for recruitment processes decreased to 39% from 56% at the Tele-Sales channel and to 7% from 26% at the Bank channel. The rate of resources gained from the reference system increased in 2017; from 35% to 54% in the Bank sales channel and from 34% to 39% in the Tele-sales channel.

Digitalization

All recruitment processes were migrated to Bilin platform. All databases were collected on this platform. The application process was automated and we will complete the integration kariyer.net, our major resource for external resources.

As of February 1, 2018, we will be using the recruitment processes on Bilin platform.

Legal procedures carried out with Parent Company if it is a company working under Group of Companies, with a Company working under Parent Company, on behalf of parent company or on behalf of an affiliate as guided by the Parent Company and all other measures taken or avoided in respect of a parent company or its affiliates in the previous activity year:

In 2017, our Company did not carry out any transactions or made any decisions with a Parent Company, or with a Company operating under Parent Company, or on behalf of Parent Company, or on behalf of an Affiliate under guidance of the Parent Company, or did not take any measures in favor of the Parent Company or its affiliates, and the company did not suffer any losses because of this.

The Company's Mission

Our Mission

1. Be the company of choice by offering the best services and solutions for our customers.
2. Be the market leader.
3. Ensure the best financial results for our shareholders.

REMARKS ON FINANCIAL INFORMATION AND RISK MANAGEMENT

2017 Ordinary General Assembly Agenda

1. Opening and attendance check,
2. Forming the Chairman committee and authorizing Chairman Committee to sign the General Assembly minute,
3. Reading and discussing the Year 2017 Activity Report,
4. Reading and discussing the Board of Directors' Activity Report regarding activities in 2017,
5. Reading the report of independent audit company,
6. Reading, discussing and certifying year 2017 balance sheet and profit/loss accounts,
7. Discussing release of members of Board of Directors in relation with activities in 2017,
8. Selecting and determining period of office of Members of Board of Directors,
9. Determining remuneration for Members of Board of Directors,
10. Discussing and deciding whether profit will be distributed according to balance sheet of 2017,
11. Discussing the matter of appointing an independent audit company for audit to be carried out in 2018,
12. Advising on donations made in 2017 and determining and discussing the total amount of donations planned for 2018,
13. Giving permission to members of the Board of Directors according to articles 395 and 396 of Turkish Commercial Code,
14. Requests and closing of the meeting.

APPENDIX-1 CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

	Note	Current Period (31/12/2017)
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. PROFIT FOR THE PERIOD		70,589,536
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(15,450,824)
1.2.1. Corporate Tax (Income Tax)		(15,450,824)
1.2.2. Income Tax Deduction		-
1.2.3. Other Taxes and Legal Liabilities		-
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		55,138,712
1.3. PREVIOUS YEARS' LOSSES (-)		-
1.4. FIRST LEGAL RESERVE		(2,321,600)
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)		-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		52,817,112
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		(2,250,000)
1.6.1. To common shareholders		(2,250,000)
1.6.2. To preferred shareholders		-
1.6.3. To owners of participating redeemed shares		-
1.6.4. To owners of profit-sharing securities		-
1.6.5. To owners of profit and loss sharing securities		-
1.7. DIVIDENDS TO PERSONNEL (-)		-
1.8. DIVIDENDS TO FOUNDERS (-)		-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		(44,653,407)
1.10.1. To common shareholders		(44,653,407)
1.10.2. To preferred shareholders		-
1.10.3. To owners of participating redeemed shares		-
1.10.4. To owners of profit-sharing securities		-
1.10.5. To owners of profit and loss sharing securities		-
1.11. SECOND LEGAL RESERVE (-)		(4,481,529)
1.12. STATUTORY RESERVES (-)		-
1.13. EXTRAORDINARY RESERVES		-
1.14. OTHER RESERVES		-
1.15. SPECIAL FUNDS		-

II. DISTRIBUTION FROM RESERVES	(4,998,361)
2.1. DISTRIBUTED RESERVES	(4,998,361)
2.2. SECOND LEGAL RESERVE (-)	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1. To common shareholders	-
2.3.2. To preferred shareholders	-
2.3.3. To owners of participating redeemed shares	-
2.3.4. To owners of profit-sharing securities	-
2.3.5. To owners of profit and loss sharing securities	-
2.4. DIVIDENDS TO PERSONNEL (-)	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
III. PROFIT PER SHARE	-
3.1. TO COMMON SHAREHOLDERS	1.225
3.2. TO COMMON SHAREHOLDERS (%)	122.53%
3.3. TO PREFERRED SHAREHOLDERS	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-
IV. DIVIDENDS PER SHARE	-
4.1. TO COMMON SHAREHOLDERS	1.153
4.2. TO COMMON SHAREHOLDERS (%)	115.34%
4.3. TO PREFERRED SHAREHOLDERS	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-

Since profit distribution proposal for the year 2017 has not been prepared by the Board of Directors in order to be presented for an approval at the General Assembly, only the distributable profit has been stated on the statement of profit distribution of 2017.

Information about Internal Control System of the Company and Internal Audit Activities and Opinion of the Management Organization about this

Information about Internal systems

Internal Audit Activities

Internal audit activities are carried out by Internal Audit Unit in order to give assurance to the Board of Directors that company activities are carried out in accordance with relevant regulations and internal policies and also to give assurance about efficiency and adequacy of internal control and risk management systems of the Company .

Internal Audit Unit carries out its activities directly reporting to the Board of Directors according to provisions of «Regulation on Insurance and Reinsurance and Internal Systems of Pension Companies» as published in Official gazette no. 26913 dated 21.06.2008. Internal audit activities are carried out within the scope of annual audit plans approved by Board of Directors and it is prepared in a way to cover all activities of the Company in the light of periodic and risk based evaluations, and which covers opinion of senior management of the Company.

Internal Audit Department has fulfilled its responsibilities in 2017 in an objective and independent manner with regards to Company activities in terms of legal regulations, legislations and internal guidelines.

Reports issued as a result of audit activities were included in the agenda of the Board of Directors as submitted by the Board Member Responsible for Internal Systems and Audit Committee and decisions were made about actions to be taken as the result of reports with the approval of the Board

of Directors. Actions taken regarding the audit reports were regularly monitored using the audit findings follow-up module integrated to the system.

Along with this, special investigations and inquiries were held on a case basis.

The objective was to ensure the implementation of the Internal Audit Standards defined by the International Internal Audit Institute (IIA).

Internal audit activities were carried out by a group manager and three internal auditors in 2017.

Risk Management and Internal Control Activities

Risk management and internal control activities are carried out by Risk Management and Internal Control Unit directly reporting to the General Manager, according to provisions of «Regulation on Insurance and Reinsurance and Pension Internal Systems of Companies» that is published on official Gazette no. 26913 dated 21.06.2008.

As of the end of 2017, Risk Management and Internal Control Unit responsible for executing risk management and internal control activities continues its activities with one unit manager, one specialist and one assistant specialist.

Internal Control Activities

Internal control activities aims to protect the company assets, to ensure activities are carried out efficiently according to law and other relevant regulation, internal policies and rules and insurance practices, to ensure reliability, integrity of accounting and financial reporting system and accessibility of data on time.

Internal control activities include remote and on-site controls. Periodic remote controls are performed through automatic reporting of control points integrated to the system and self-evaluation. Results of the controls are shared with the managers of relevant business units and senior management of the Company and it is ensured that necessary improvements are made.

In 2017, risk evaluations of revised Company processes started and control points were reviewed. In order to ensure first level controls, monthly status reports are implemented through Self-Assessment Forms and check points developed based on the processes and responsibilities of business units. Results of data obtained from divisions were periodically shared with top management.

In addition, on-site control activities and division activities were assessed within the scope of Internal Systems Regulation in accordance with the annual plan and risks were determined. It was ensured to include action owners and action plans agreed upon with business units upon recommendations of Risk Management and Internal Control Department in order to define root causes of problems and prevent reoccurrence thereof. Results of on-site control activities are reported to the managers of the relevant division and the General Manager.

On the other hand, control points integrated into the system helped us ensure follow up of parametric rules to be observed with regards to regulations. In addition to current controls, periodic activity reports continue to come from units which directly affect cash flow. The objective of the activity reports is to secure internal information flow.

Risk Management Activities

Risk management activities aims to define risks that may prevent accomplishing objectives of the Company, to evaluate, manage, report and control such risks. Risk management activities are carried out through quarterly Top Risk Assessment and monthly reporting of event that caused the operational risk. In order to make sure the necessary improvements take place, Top Risk Assessment Report is evaluated quarterly by the Risk Committee that consists of Risk Management and Internal Control Manager, Company Top Management and the Board Member in charge of Internal Systems.

Top Level Risk Assessment activities of the Company were conducted in a comprehensive manner, evaluated by the Risk Committees and events that caused operational risks were regularly reported.

Risk Management Policy of the Company, Risk Management Regulation and Risk appetite analyses were completed and submitted to the approval of Board of Directors.

With the Legislation Committee and Legislation Committee in addition to the Risk Committee, projects critical for the Company were evaluated, efforts on compliance with the legislation are followed up and risk evaluations are made to improve the control mechanism and develop proposals.

Opinion of Board of Directors

Activities of our company within the scope of internal systems are carried out according to Insurance Law no. 5684 dated 03.06.2007 and Individual Pension saving and Investment System Law no. 4632 dated 28.03.2001 and provisions of "Regulation on Internal Systems of Insurance and Reinsurance and Pension Companies" published on Official gazette no. 26913 dated 21.06.2008.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL
STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2017 TOGETHER
WITH THE INDEPENDENT AUDITOR'S
REPORT (ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT OF CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2017 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

Cigna Finans Emeklilik ve Hayat A.Ş.

İstanbul, 2 March 2018



Gail Bernadette COSTA

Member of the Board
of Director, Deputy,
General Manager



David TOBİN

Financial Control and
Reporting, Technical and
Actuary
Chief Financial Officer



Ece KAZCILAR

Financial Control and
Reporting
Senior Vice
President



Ertan TAN

Actuary
Licence No: 21

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF
THE BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS

	Note	Audited 31 December 2017	Audited 31 December 2016
I- CURRENT ASSETS			
A- Cash and Cash Equivalents	4.2, 14	356,833,871	245,111,081
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12, 14	344,948,517	233,240,881
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities less than Three Months	2.12, 14	11,885,354	11,870,200
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Insurees' Risk		-	-
1- Available-for-Sale Investments		-	-
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Insurees' Risk		-	-
7- Equity Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C- Receivables from Main Operations	4.2	48,153,151	54,507,955
1- Due from Insurance Operations	12.1	38,842,031	43,994,119
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Deposits		-	-
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Operations	12.1	9,311,120	10,513,836
9- Doubtful Receivables from Main Operations	12.1, 47.1	49,266	50,896
10- Provision for Doubtful Receivables from Main Operations (-)	12.1, 47.1	(49,266)	(50,896)
D- Due from Related Parties	4.2	-	77,394
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	12.1, 45	-	77,394
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF
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ASSETS

	Note	Audited 31 December 2017	Audited 31 December 2016
E- Other Receivables			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2	25,059,551	23,423,959
1- Deferred Acquisition Expenses		24,645,729	22,344,872
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	413,822	1,079,087
G- Other Current Assets		-	-
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		430,046,573	323,120,389

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ASSETS

	Note	Audited 31 December 2017	Audited 31 December 2016
II- NON-CURRENT ASSETS			
A- Receivables from Main Operations	4.2, 12.1, 17.5	799,391,368	667,067,636
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations		-	-
5- Premium Deposits		-	-
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Operations	12.1, 17.5	799,391,368	667,067,636
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables	4.2	14,899	15,347
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2	14,899	15,347
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	4.2, 45.2	391,100	362,019
1- Investment Securities	4.2, 45.2	391,100	362,019
2- Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint-Ventures		-	-
7- Capital Commitments to Joint-Ventures (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for impairment of financial assets (-)		-	-

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
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ASSETS

	Note	Audited 31 December 2017	Audited 31 December 2016
E- Tangible Assets			
1- Investment Properties		-	-
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Use		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	7,771,684	6,341,006
6- Motor Vehicles		-	-
7- Other Tangible Assets (incl. Leasehold Improvements)	6	6,094,195	5,674,974
8- Leased Assets		-	-
9- Accumulated Depreciation (-)	6	(8,109,584)	(5,911,265)
10- Advances Given for Tangible Assets (Including Ongoing Investments)		-	-
F- Intangible Assets	4.2, 8	12,506,646	8,912,169
1- Rights	8	33,827,802	23,712,035
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(21,321,156)	(14,799,866)
7- Advances Given for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	4.2	5,404,219	3,508,699
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	4.2, 21, 35	5,404,219	3,508,699
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		823,464,527	685,970,585
Total Assets (I+II)		1,253,511,100	1,009,090,974

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LIABILITIES

	Note	Audited 31 December 2017	Audited 31 December 2016
III- CURRENT LIABILITIES			
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Due to Financial Leasing Institutions		-	-
3- Deferred Leasing Costs (-)		-	-
4- Principal Instalments and interest of Long Term Borrowings		-	-
5- Other Issued Debt Securities		-	-
6- Other Issued Debt Securities (-)		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	4.2	27,613,834	31,797,514
1- Payables from Insurance Operations	19	13,777,406	14,665,886
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations	19	13,836,428	17,131,628
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties	4.2	636,838	968,459
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	19	95,012	153,486
6- Due to Other Related Parties	19	541,826	814,973
D- Other Payables	19, 4.2	3,667,545	2,024,469
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables	47.1	3,685,468	2,034,181
4- Rediscount on Other Payables (-)	47.1	(17,923)	(9,712)
E-Insurance Technical Provisions	4.2	115,813,674	110,058,169
1- Unearned Premium Reserve - Net	17.15	68,312,694	65,905,929
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17.15	9,716,053	6,617,783
4- Outstanding Claims Provision - Net	17.15	37,457,442	37,217,030
5- Bonus and Rebate Provision - Net	17.15, 47.1	-	317,427
6- Other Technical Reserves - Net	17.15, 47.1	327,485	-

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LIABILITIES

	Note	Audited 31 December 2017	Audited 31 December 2016
F- Taxes, and Other Liabilities and, Provision	4.2	6,895,564	3,420,694
1- Taxes and Funds Payable		1,728,808	1,165,956
2- Social Security Withholdings Payable		1,236,365	968,964
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	15,450,824	7,107,700
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)	35	(11,520,433)	(5,821,926)
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals		-	-
H- Deferred Income and Expense Accruals	4.2	3,356,045	1,788,541
1- Deferred Commission Income	10,19	1,907,493	964,782
2- Deferred Expenses	19	1,448,552	823,759
3- Other Deferred Income		-	-
I- Other Current Liabilities	4.2	10,603,432	6,308,468
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	4.2, 23, 47.1	10,603,432	6,308,468
III - Total Current Liabilities		168,586,932	156,366,314

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LIABILITIES

	Note	Audited 31 December 2017	Audited 31 December 2016
IV- NON-CURRENT LIABILITIES			
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	4.2	799,391,368	667,067,636
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations	17.5, 19	799,391,368	667,067,636
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions	4.2	161,788,816	98,517,631
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Nett		-	-
3- Mathematical Reserve - Net	17.15	144,495,563	86,130,257
4- Outstanding Claims Provision - Net		-	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net	17.15, 47.1	17,293,253	12,387,374
F- Other Liabilities and Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-

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LIABILITIES

	Note	Audited 31 December 2017	Audited 31 December 2016
G- Provisions for Other Risks	4.2, 22	3,801,989	2,283,844
1- Provision for Employment Termination Benefits	4.2, 22	3,801,989	2,283,844
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Non-Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Various Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		964,982,173	767,869,111

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SHAREHOLDERS' EQUITY

	Note	Audited 31 December 2017	Audited 31 December 2016
V- SHAREHOLDERS' EQUITY			
A- Share Capital	2.13, 15	45,000,000	45,000,000
1- (Nominal) Capital	2.13, 15	45,000,000	45,000,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital to be registered		-	-
B- Capital Reserves		-	-
1- Share Premiums		-	-
2- Profit of Cancelled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		14,804,922	12,301,560
1- Legal Reserves	15	15,696,871	12,718,151
2- Statutory Reserves		-	-
3- Extraordinary Reserves		110,519	110,519
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(1,002,468)	(527,110)
D- Retained Earnings		4,998,361	2,633,428
1- Retained Earnings		4,998,361	2,633,428
E- Accumulated Deficit (-)		-	-
1- Accumulated Deficit		-	-
F- Net Profit for the Period		55,138,712	24,920,561
1- Net Profit for the Period		55,138,712	24,920,561
2- Net Loss for the Period (-)		-	-
Total Shareholders' Equity	4.2	119,941,995	84,855,549
Total Liabilities and Shareholders' Equity (III+IV+V)		1,253,511,100	1,009,090,974

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
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I- TECHNICAL DIVISION

	Note	Audited 01.01.2017 - 31.12.2017	Audited 01.01.2016 - 31.12.2016
A- Non-Life Technical Income			
1- Earned Premiums - (Net of Reinsurers' Share)		34,627,491	32,347,997
1.1- Written Premiums - (Net of Reinsurers' Share)	2.21, 24	41,636,969	27,308,249
1.1.1- Gross Written Premium (+)	24	44,120,394	27,996,878
1.1.2- Reinsurers' Share of Gross Written Premium (-)	10, 24	(2,483,425)	(688,629)
1.1.3- Premiums Ceded to SSI		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	(7,009,478)	5,039,748
1.2.1- Unearned Premiums Reserve (-)	17.15	(8,375,269)	5,314,948
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10, 17.15	1,365,791	(275,200)
1.2.3- SSI's Share of Unearned Premiums Reserve (+/-)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Investment Income Transferred from Non-Technical Part		541,911	397,613
3- Other Technical Income - (Net of Reinsurers' Share)		-	-
3.1- Other Gross Technical Income (+)		-	-
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-
4- Claim Recovery and Salvage Income Accruals (+)		-	-
B- Non-Life Technical Expense (-)		(20,479,304)	(15,636,780)
1- Incurred Claims - (Net of Reinsurers' Share)		(2,683,077)	828,345
1.1- Paid Claims - (Net of Reinsurers' Share)		(1,508,660)	(1,252,183)
1.1.1- Gross Paid Claims (-)		(1,508,660)	(1,252,183)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	-	-
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	(1,174,417)	2,080,528
1.2.1- Outstanding Claims Provision (-)	17.15	(1,360,612)	2,108,663
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10, 17.15	186,195	(28,135)
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Provision (-)		-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	(156,394)	(95,347)
4- Operating Expenses (-)	31, 32	(17,081,882)	(16,163,679)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17.15	(557,951)	(206,099)
5.1- Mathematical Reserves (-)	17.15	(557,951)	(206,099)
5.2- Net of Reinsurer's Share and Reserves Carried Forward (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurer's Share of Other Gross Technical Expenses (+)		-	-

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME
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I- TECHNICAL DIVISION	Note	Audited 01.01.2017 - 31.12.2017	Audited 01.01.2016 - 31.12.2016
C- Net Technical Income- Non-Life (A - B)		14,690,098	17,108,830
D- Life Technical Income		430,572,706	256,115,336
1- Earned Premiums - (Net of Reinsurers' Share)		430,572,706	256,115,336
1.1- Written Premiums - (Net of Reinsurers' Share)	2,21, 24	425,969,993	262,423,741
1.1.1- Gross Written Premiums (+)	24	438,349,118	273,820,543
1.1.2- Premiums Ceded to Reinsurers (-)	10, 24	(12,379,125)	(11,396,802)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)	17,15	4,602,713	(6,308,405)
1.2.1- Unearned Premiums Reserve (-)	17,15	5,208,225	(8,226,655)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10, 17,15	(605,512)	1,918,250
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Life Investment Income		-	-
3- Unrealized Investment Income		-	-
4- Other Technical Income - (Net of Reinsurers' Share)		-	-
E- Life Technical Expense		(398,738,083)	(254,408,821)
1- Incurred Claims - (Net of Reinsurers' Share)		(80,866,295)	(66,741,315)
1.1- Paid Claims (Net of Reinsurers' Share)		(81,800,300)	(54,633,903)
1.1.1- Gross Paid Claims (-)		(93,368,838)	(60,733,990)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	11,568,538	6,100,087
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurers' Share and Returned Reserve) (+/-)		934,005	(12,107,412)
1.2.1- Outstanding Claims Provision (-)		2,158,939	(14,946,547)
1.2.2- Reinsurers' Share of Outstanding Claim Provisions (+)	10, 17,15	(1,224,934)	2,839,135
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)	17,15	317,427	(317,427)
2.1- Bonus and Rebate Provision (-)	17,15	317,427	(317,427)
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)	17,15	(60,905,624)	(16,847,126)
3.1- Mathematical Reserves (-)	17,15	(60,905,624)	(16,847,126)
3.1.1- Actuarial Mathematical Reserves (+/-)	17,15	(60,905,624)	(16,847,126)
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)		-	-

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I- TECHNICAL DIVISION	Note	Audited 01.01.2017 - 31.12.2017	Audited 01.01.2016 - 31.12.2016
4- Change in Other Technical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)	17,15	(5,365,645)	(2,559,846)
5- Operating Expenses (-)	31	(251,917,946)	(167,943,107)
6- Investment Expenses (-)		-	-
7- Unrealized Investment Expense (-)		-	-
8- Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income - Life (D - E)		31,834,623	1,706,515
G- Pension Funds Technical Income	25	17,479,152	16,444,299
1- Fund Management Income	25	9,164,888	7,863,152
2- Management Expense Charge	25	2,938,214	2,616,049
3- Entrance Fee Income	25	5,376,050	5,965,098
4- Management Expense Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Pension Funds Technical Expense		(13,628,885)	(15,979,845)
1- Fund Management Expense (-)		(1,827,201)	(1,572,630)
2- Capital Allowance Value Decrease Expense (-)		-	-
3- Operating Expenses (-)	31	(11,632,103)	(14,216,128)
4- Other Technical Expenses (-)		(157,192)	(131,105)
5- Fine Payment		(12,389)	(59,982)
I- Net Technical Income - Pension Funds (G - H)		3,850,267	464,454

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

II- NON TECHNICAL DIVISION	Note	Audited 01.01.2017 - 31.12.2017	Audited 01.01.2016 - 31.12.2016
C- Net Technical Income-Non-Life (A-B)		14,690,098	17,108,830
F- Net Technical Income-Life (D-E)		31,834,623	1,706,515
I - Net Technical Income – Pension Funds (G-H)		3,850,267	464,454
J- Total Net Technical Income (C+F+I)		50,374,988	19,279,799
K- Investment Income	26	36,654,910	24,725,417
1- Income from Financial Investments	26	36,086,939	24,521,184
2- Income from Liquidation of Financial Investments		-	-
3- Valuation of Financial Investments		-	-
4- Foreign Exchange Gains	36	567,971	204,233
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint-Ventures		-	-
7- Income from Land and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(10,118,775)	(7,718,771)
1- Investment Management Expenses (Interest incl.) (-)		(295,015)	(275,356)
2- Diminution in Value of Investments (-)		-	-
3- Loss from Realization of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(541,911)	(397,613)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(562,240)	(438,058)
7- Depreciation Expenses (-)	6,8,31,32	(8,719,609)	(6,607,744)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(6,321,587)	(4,258,184)
1- Provisions (+/-)	47.5	(8,972,133)	(5,453,546)
2- Rediscounts (+/-)	47.5	178,561	(63,585)
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21,35	1,776,681	847,818
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		695,304	479,489
8- Other Expenses		-	(68,360)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit/ (Loss) for the Period	37	55,138,712	24,920,561
1- Profit/ (Loss) for the Period		70,589,536	32,028,261
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(15,450,824)	(7,107,700)
3- Net Profit/ (Loss) for the Period	37	55,138,712	24,920,561
4- Inflation Adjustment		-	-

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

A. CASH GENERATED FROM MAIN OPERATIONS	Note	Audited 01.01.2017 - 31.12.2017	Audited 01.01.2016 - 31.12.2016
1. Cash inflows from insurance operations		469,257,536	291,199,815
2. Cash inflows from reinsurance operations		-	-
3. Cash inflows from pension funds operations		18,679,978	18,311,913
4. Cash outflows from insurance operations (-)		(350,628,692)	(245,857,205)
5. Cash outflows from reinsurance operations (-)		-	-
6. Cash outflows from pension funds operations (-)		(16,922,182)	(16,392,403)
7. Net cash from main operations (A1+A2+A3-A4-A5-A6)		120,386,640	47,262,120
8. Interest payments (-)		-	-
9. Income tax payments (-)		(12,806,187)	(4,576,091)
10. Other cash inflows		27,622,999	11,727,042
11. Other cash outflows (-)		(27,164,747)	(14,434,513)
12. Net cash used in main operations		108,038,705	39,978,558
B. CASH FLOWS FROM INVESTING OPERATIONS		-	-
1. Sales of tangible assets		-	6,356
2. Acquisition of tangible assets acquisition (-)	6, 8	(11,965,666)	(6,913,239)
3. Acquisition of financial assets (-)		(29,081)	-
4. Sales of financial assets		-	-
5. Interest received		31,710,388	21,654,538
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflow (-)		(48,927,393)	(18,579,199)
9. Net cash from investing activities		(29,211,752)	(3,831,544)
C. CASH FLOWS FROM FINANCING OPERATIONS		(19,576,908)	(10,221,810)
1. Issue of shares		-	-
2. Cash flows from the borrowings		-	-
3. Leasing payments (-)		-	-
4. Dividends paid (-)	38	(19,576,908)	(10,221,810)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Net cash from financing activities		(19,576,908)	(10,221,810)
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	36	5,731	(233,825)
E. Net increase in cash and cash equivalents (A12+B9+C7+D)		59,255,776	25,691,379
F. Cash and cash equivalents at the beginning of the period	2.12	132,424,625	106,733,246
G. Cash and cash equivalents at the end of the period (E+F)	2.12	191,680,401	132,424,625

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

PRIOR PERIOD	Note	Capital	Company's Own Securities (-)	Valuation Increase/ (Decrease) in Assets	Inflation Adjustment to the Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Period	Accumulated Profit / (Loss)	Total
I - Balances at the prior Period end (31.12.2015)		45,000,000	-	-	-	-	11,202,422	-	(636,199)	14,370,967	-	69,937,190
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2016)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	219,608	-	-	219,608
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	24,920,561	-	24,920,561
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(10,221,810)	-	(10,221,810)
J- Transfers		-	-	-	-	-	1,515,729	-	-	(4,149,157)	2,633,428	-
IV- Balances at the Year End (31.12.2016) (III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549
CURRENT PERIOD												
I - Balances at the prior Period end (31.12.2016)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2017)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	(475,358)	-	-	(475,358)
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	55,138,712	-	55,138,712
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(19,576,908)	-	(19,576,908)
J- Transfers		-	-	-	-	-	2,978,720	-	-	(5,343,653)	2,364,933	-
IV- Balances at the Year End (31.12.2017) (III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	15,696,871	-	(891,949)	55,138,712	4,998,361	119,941,995

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

PRIOR PERIOD	Note	Capital	Company's Own Securities (-)	Valuation Increase/ (Decrease) in Assets	Inflation Adjustment to the Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Period	Accumulated Profit / (Loss)	Total
I - Balances at the prior Period end (31.12.2015)		45,000,000	-	-	-	-	11,202,422	-	(636,199)	14,370,967	-	69,937,190
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2016)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	219,608	-	-	219,608
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	24,920,561	-	24,920,561
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(10,221,810)	-	(10,221,810)
J- Transfers		-	-	-	-	-	1,515,729	-	-	(4,149,157)	2,633,428	-
IV- Balances at the Year End (31.12.2016) (III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549
CURRENT PERIOD												
I - Balances at the prior Period end (31.12.2016)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2017)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	(475,358)	-	-	(475,358)
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	55,138,712	-	55,138,712
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(19,576,908)	-	(19,576,908)
J- Transfers		-	-	-	-	-	2,978,720	-	-	(5,343,653)	2,364,933	-
IV- Balances at the Year End (31.12.2017) (III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	15,696,871	-	(891,949)	55,138,712	4,998,361	119,941,995

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016
 (Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. General Information

1.1 Name of the parent Company

The Company was established on 4 July 2007 named as Finans Emeklilik ve Hayat A.Ş. as 100% subsidiary of Finansbank A.Ş. On 12 July 2012 share purchase agreement was signed between Finansbank A.Ş. and Cigna Nederland Gamma B.V. In accordance with that agreement, Cigna Nederland Gamma B.V. purchased 22,950,000 share, which is 51% of the total 44,999,995 share of Finansbank A.Ş. and share rate of Finansbank A.Ş. is decreased to 49%. As a result of the change in partnership structure, amendment agreement was approved by Ministry of Customs and Trade on 2 November 2012, amendment agreement was discussed in extraordinary general meeting on 9 November 2012 and share transfer was registered in Commercial Trade Gazette on 20 November 2012. The legal name of the company was changed as "Cigna Finans Emeklilik ve Hayat Anonim Şirketi" in extraordinary general meeting on 31 May 2013 and registered in Commercial Trade Gazette on 10 June 2013. On 22 December 2015, according to the announcement of the Finansbank to the Public Disclosure Platform, share purchase agreement between National Bank of Greece ("NBG") and Qatar National Bank ("QNB") was declared. In accordance with this agreement NBG sell its 99.81% share in Finansbank A.Ş. to QNB for 2,750 Million Euro. In accordance with notification of Finansbank to Public Disclosure Platform ("PDP") as of May 4, 2016, permission of the Competition Council, regarding to transfer of companies that are directly controlled by Finansbank A.Ş. and directly controlled by subsidiaries under Finansbank A.Ş. to QNB, is reported. The share transfer transaction occurred on June 15, 2016. As a result of the share transfer, legal title of Finansbank A.Ş. is changed into QNB Finansbank A.Ş. ("Finansbank").

1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office

Cigna Finans Emeklilik ve Hayat A.Ş. operates at the address of, Barbaros Mah. Kardelen Sok. Palladium Tower, No:2 Kat:27-29, 34746, Ataşehir-İstanbul. It is a corporation established in accordance with the Turkish Commercial Code ("TCC"). The Company carries out its operations in accordance with the principals set out on the Insurance Law No: 5684, Law No: 6327, which is valid as of 1 January 2013, and Individual Pension, Saving and Investment System Law No: 4632. Company changed location of its headquarter in accordance with the Board of directors meeting numbered 344 and dated 26 September 2015 and registered location change in Commercial Trade Gazette numbered 8858 and dated 8 July 2015. Operating address of the company before 29 June 2015 was Sahrayıcedit Mah. Halk Sok. No:48 34734 Kozyatağı, Kadıköy, İstanbul.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
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 (Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1.3 The Company's main operations

The company operates in individual pension, life insurance, marriage/maternity insurance, capital redemption insurance, accident insurance and in accordance with those activities company establishes private pension funds, forms internal regulations related to private pension funds and covenants pension contracts, annuity contracts, portfolio management contracts, safe keeping contract with custodian and operates reinsurance business about individual or group life insurances, accident insurances and all other type of these insurances.

Company has 20 Individual Pension Fund as a founder. 11 group Individual Pension Fund were offered to public and 9 Individual Pension Fund have not been offered to public as of 31 December 2017. These funds are managed by Finans Portföy Yönetimi A.Ş. in accordance with the pension mutual fund portfolio management agreement that is signed between Company and Finans Portföy Yönetimi A.Ş.

Legal name of the private pension funds that are founded by the company are changed in consequence of Extraordinary General Meeting on 31 May 2013 and announced in Trade Registry Gazette dated 27 August 2013 and numbered 8392. Cigna Finans Emeklilik ve Hayat A.Ş. took permission to change title of 7 pension funds from Capital Markets Board with permission numbered 12233903-310.01.06-E.6589 and announced in Turkish Commercial Trade Gazette numbered 9343 dated 8 Jun 2017.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. General Information (Continued)

1.3 The Company's main operations (Continued)

The updated fund titles and the date of establishment of the pension investment funds and the public offering information are listed below;

- Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Emeklilik Yatırım Fonu has been public offered on 19 Jun 2008 with the permission dated 19 June 2008 and numbered 17/672 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Hisse Senedi Emeklilik Yatırım Fonu has been public offered on 07 September 2008 with the permission dated 19 June 2008 and numbered 17/672 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu has been public offered on 07 September 2008 with the permission dated 19 June 2008 and numbered 17/672 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Para Piyasası Emeklilik Yatırım Fonu has been public offered on 07 September 2008 with the permission dated 19 June 2008 and numbered 17/672 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. İkinci Değişken Emeklilik Yatırım Fonu has been public offered on 07 September 2008 with the permission dated 19 June 2008 and numbered 17/672 taken from the Capital Markets Board. The fund has been changed as of Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu which was Büyüme Amaçlı Uluslararası Emeklilik Yatırım Fonu with the permission dated 29 December 2012 and numbered 15/1005 taken from the Capital Markets Board and the changing have started to be implemented since 11 January 2013.
- Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Grup Emeklilik Yatırım Fonu has been public offered on 26 March 2012 with the permission dated 10 June 2011 and numbered 18/555 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu has been public offered on 26 March 2012 with the permission dated 10 June 2011 and numbered 18/555 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu has been public offered on 2 May 2013 with the permission dated 26 March 2013 and numbered 10/333 taken from the Capital Markets Board.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. General Information (Continued)

1.3 The Company's main operations (Continued)

- Cigna Finans Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu has been public offered on 12 September 2013 with the permission dated 4 April 2013 and numbered 12/373 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu has been public offered on 25 January 2016 with the permission dated 27 December 2016 and numbered 36/1294 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu has been public offered on 3 February 2017 with the permission dated 27 December 2016 and numbered 36/1294 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu has been public offered on 31 December 2017 with the permission dated 19 December 2017 and numbered 35/1264 taken from the Capital Markets Board. The fund has been changed as of OKS Katılım Standart Emeklilik Yatırım Fonu which was Katılım Standart Emeklilik Yatırım Fonu with the permission dated 29 December 2012 and numbered 15/1005 taken from the Capital Markets Board and the changing have started to be implemented since 30 November 2017.
- Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu has been public offered on 31 December 2017 with the permission dated 27 December 2016 and numbered 36/1295 taken from the Capital Markets Board.
- Cigna Finans Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu has been public offered on 31 December 2017 with the permission dated 17 November 2017 and numbered 42/1421 taken from the Capital Markets Board.
- Establishment licence has been taken dated 5 Jun 2017 and numbered 23/770 from Capital Markets Board for Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Atak Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu has not been offered to public as of 31 December 2017.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. General Information (Continued)

1.4 Explanation of the activities and characteristics of main operations of the corporation

Disclosed in Notes 1.2 and 1.3.

1.5 Average number of employees during the period by category:

	31 December 2017	31 December 2016
Top management	6	6
Managers	48	49
Officers	200	190
Marketing and sales personnel	528	520
Total	782	765

1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period:

TRY 10,459,603 (1 January - 31 December 2016: TRY 9,770,457).

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, administration, research and development, marketing and sales, outsourced benefits and services and other operating expenses) in the financial statements

The Company allocates the investment income and personnel, administration, research and development, marketing and selling, outsourced benefits and services and other operational expenses related to the technical accounts in accordance with the "Circular on the Fundamentals of the Procedures and Principals of the Criteria used in Financial Statements in Accordance with Insurance Uniformed Chart of Accounts" numbered 2010/9 and dated 9 August 2010 and issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Undersecretariat of Treasury").

1.8 Whether financial statements include only one firm or group of firms

Financial statements include one company (Cigna Finans Emeklilik ve Hayat A.Ş.).

1.9 Name and other identification information of the reporting firm and information changes since the previous balance sheet date

Name and other identification information of the Company are disclosed in Notes 1.1, 1.2 and 1.3.

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1. General Information (Continued)

1.10 Events occurred after the balance sheet date

The financial statements that are prepared in accordance with the effective accounting standards, for the period 1 January - 31 December 2017 declared on 2 March 2017 by the Assistant General Manager and Financial Control and Reporting Group Manager. Subsequent events after the balance sheet are disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1). The content and the format of the financial statements and explanation and notes of this financial statements are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and notice regarding to the Presentation of the New Account Codes and Financial Statements.

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Treasury, operations of insurance companies should be accounted in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TASK") and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. With reference to the notice of the Treasury No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Unconsolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4 - Insurance Contracts" have been scoped out of this application. In addition, companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies dated 31 December 2008 and published in official gazette numbered 27097 and effective from 31 March 2009. Since the Company has no subsidiaries that needs to be consolidated, consolidated financial statements is not required to prepare.

As of 31 December 2017, the Company calculates and recognizes its insurance technical provisions in its financial statements in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves"), which is published in Official Gazette dated 28 July 2010 and numbered 27655 and changes on this regulation were published in Official Gazette dated 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Treasury (Note 2.24).

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

As of 1 January 2015 company actuary calculates incurred but not reported outstanding claim amount, which is claimed in note 2.24, (within the frame of the "Outstanding Claim Circular" dated on 5 December 2014, numbered 2014/16 and issued by Treasury).

Additionally, according to the "Outstanding Claim Provision" circulars dated 17 March 2015, 27 July 2015, 29 February 2016 and numbered 2015/7, 2015/28, 2016/11 respectively issued by Treasury, effects of these changes may accounted gradually in 2015, 2016, 2017, 2018, and 2019.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

Accounting policies and measurement principles that are used in the preparation of the financial statements are disclosed in the notes from 2.4 to 2.24 below.

Changes in Turkish Financial Reporting Standards:

The accounting policies based on the preparation of financial statements belonging to accounting period ending from the date of 31 December 2017, which are valid as of 1 January 2017 are outlined below, except the new and amended standard and IFRIC, reviews are consistent with those used in previous periods.

i) Amendments and interpretations to existing standards and existing standards as of December 31, 2017:

Explanations of the effects of the new TAS / TFRS on the financial statements:

- Title of TAS / TFRS;
- If the accounting policy change is made in accordance with the relevant transitional provisions;
- Explanation of the change in accounting policy;
- Explanation of the transition provisions, if any;
- The effects of the transitional provisions on future periods, if any;
- Where possible, adjustment amounts related to the current and previous periods presented:
 - Each affected financial statements must be presented for item and
 - If the "TAS 33 Earnings per Share" standard is prevalent for the company, the amounts of the ordinary shares and diluted earnings per share must be recalculated;
- Amounts of the adjustments from the prior periods to the periods not available,
- If retrospective application is not possible for any period or period, the events leading to this situation should be explained and it should be explained from what date and how the change in the accounting policy was applied.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

i) Amendments and interpretations to existing standards and existing standards as of December 31, 2017 (Continued):

- **Amendments to IAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- **Annual improvements 2014-2016**, effective from annual periods beginning on or after 1 January 2017.
 - **IFRS 12; Disclosure of interests in other entities'**; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that, apart from the condensed financial information, the disclosure requirements of IFRS 12 apply to the shares in the businesses classified as available for sale.

ii) Standarts, amendments and interpretations effective after January 1, 2018

If a new TAS / TFRS that has been issued but not yet entered into force is not applied early:

a) Status and

b) In the period when a TAS / TFRS is first required to applied, known or reasonably estimable information related to the determination of the possible effects of the change on the financial statements should be disclosed in the financial statements.

- **IFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **IFRS 15 'Revenue from contracts with customers'**; effective from annual periods beginning on or after January 1, 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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2. Summary of Significant Accounting Policies (Continued)

ii) Standards, amendments and interpretations effective after January 1, 2018 (Continued):

- **IFRS 16 ‘Leases’**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Amendments to IFRS 4, ‘Insurance contracts’** regarding the implementation of IFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard- IAS 39.
- **Amendment to IAS 40, Investment property’** relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments in IFRS 2 ‘Share-based Payments’ standard;** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after January 1, 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **IFRIC 22; Foreign currency transactions and advance consideration’**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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2. Summary of Significant Accounting Policies (Continued)

ii) Standards, amendments and interpretations effective after January 1, 2018 (Continued):

- **IFRS 17, ‘Insurance contracts’**, effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **IFRIC 23, ‘Uncertainty over income tax treatments’**, effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

2.2 Consolidation

The Company does not have any subsidiaries that are required to be consolidated in accordance with the Circular related to Preparing Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies, which was published on Official Gazette No 27097 and dated 31 December 2008 and became effective as of 31 March 2009.

2.3 Segment reporting

The company is not traded in public that is why they do not prepare any segment reporting related to IFRS 8 “Operating Segments”.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company’s functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences are offset and are recognized as foreign exchange gains or losses.

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

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2. Summary of Significant Accounting Policies (Continued)

2.5 Property and equipment

All property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Furniture and fixtures	1-5 years
Leasehold improvements	1-5 years

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other non-operational income and expenses accounts (Note 6).

2.6 Investment properties

The Company does not have investment properties as of 31 December 2017 (31 December 2016: None).

2.7 Intangible fixed assets

Intangible assets consist of the acquired information systems and software. Intangible assets are carried at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amount is written down immediately to its recoverable amount. The amortization periods of intangible assets vary between 3 to 5 years (Note 8).

2.8 Financial assets

The Company classifies and accounts for its financial assets as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss", and "Loans and receivables (Receivables from main operations)". Receivables from main operations are the receivables arising from insurance and pension operations and they are classified as financial assets in the financial statements.

Purchases and sales of the financial assets are recognized and derecognized based on "Settlement date". The classification of the financial assets is determined by the Company management at inception by considering the purpose for which the financial assets are acquired.

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are initially recognized at acquisition value and subsequently measured at cost. Fees and other charges paid in relation to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and charged as expenses to the income statement.

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2. Summary of Significant Accounting Policies (Continued)

2.8 Financial assets (Continued)

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under "Provision for due from insurance operations" on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions.

In addition to the provision for due from insurance operations, in line with the Tax Procedure Law article No: 323, the Company accounts for a "Provision for doubtful receivables under legal follow-up" regarding its doubtful receivables which are not included in provision for due from insurance operations stated above, by considering the amount and nature of these receivables. This provision is classified as "Doubtful receivables from main operations" on the balance sheet under non-current asset group.

Provision for doubtful receivables is deducted from the related year's income. Recoveries from doubtful receivables previously provided for are treated as a reduction from related provision and accounted for in the "Other income and expense" account. Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

Impairment of financial assets:

Unbiased indicators that represents impairment of a financial asset or financial asset group are below:

- Financial difficulties of issuer or contractor
- Breach of contract
- Privileges that would not provide at different circumstances are provided to debtor by creditor, as a result of financial difficulties of debtor in economical or legal reasons.
- High probability of bankruptcy or financially reorganization of debtor
- Disappearance of active market as a result of financial difficulties

Company, evaluate indicators of impairment at balance sheet dates and book impairment to financials if necessary.

2.9 Impairment of assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provision for overdue and not overdue doubtful receivables are explained in not 12.1 and provision and rediscount expenses for the period are explained in Note 47.5.

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2. Summary of Significant Accounting Policies (Continued)

2.10 Derivative financial instruments

None (31 December 2016: None).

2.11 Offsetting financial instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement of the liability take place simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits held at banks, other short- term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2017	31 December 2016
Banks	344,948,517	233,240,881
Bank guaranteed credit card receivables with maturities less than three months	11,885,354	11,870,200
Less - Interest Accrual	(10,012,964)	(5,636,417)
Less - Blocked time deposits (*)	(155,140,506)	(107,050,039)
Cash and cash equivalents Total	191,680,401	132,424,625

(*)Change in blocked time deposits is included in other cash inflows or outflows from main operations in the statements of cash flows (Note: 43).

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2. Summary of Significant Accounting Policies (Continued)

2.13 Share capital

The composition of the Company's share capital at 31 December 2017 and 2016 is as follows:

Name of shareholders	31 December 2017		31 December 2016	
	Share (%)	Share Amount	Share (%)	Share Amount
Cigna Nederland Gamma B.V	51	22,950,000	51	22,950,000
QNB Finansbank A.Ş.	49	22,050,000	49	22,050,000
Total	100	45,000,000	100	45,000,000

As of 31 December 2017 no privileges are granted to the preference shares representing the share capital. (31 December 2016: None).

The Company is not subject to the registered share capital system.

Other information about Company's share capital is explained in Note 15.

2.14 Insurance and investment contracts - classification

The insurance contracts are those contracts that transfer insurance risk. The insurance contracts protect the insured against the adverse economic consequences of loss event under the terms and conditions stipulated in the insurance policy.

In accordance with IFRS 4, insurance agreement is defined as an agreement that one side(insurer) takes the other side(insured)'s risk over and the insurer accept paying insured's claim in case of a claim which is indefinite in the future (subject matter of insurance) affects the insured adversely.

As of balance sheet date, the Company does not have any investment contract (31 December 2016: None).

The main contracts produced by the Company are personal accident insurance, life insurance, reinsurance agreements and private pension agreements as explained below:

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance and investment contracts - classification (Continued)

i) Risk Policies:

Annual life insurance contract

Annual life insurance provides one year guarantee for the risks that the policyholder can be faced with. This insurance covers all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, permanent or temporary disability and critical disease during the policy term. Annual life insurance policies cover risks, it does not include savings and does not include right of surrender and policy loans. It can be sold as a group or individual. The age limit is between 18 and 65, premium amount changes according to the risk assessment based on age, sex and health.

Credit life insurance

Credit life insurance provides guarantee throughout the credit term against such as death or disability. If any claim occurs within the credit term, the credit debt is covered by credit life insurance. Coverage generally includes only death risk. These products are risk based policies that do not include saving. The age limit is between 18 and 70 and premium amount changes according to the risk assessment based on age, sex and health.

Personal accident insurance

Personal accident insurance provides guarantee against risks arising as a result of accidents. It provides accidental death coverage along with the additional coverage such as accidental disability, unemployment or temporary disability and medical expenses.

Mixed Insurance

Mixed Insurances is the type of insurance that pays insured when the insured protects them from the risk of death during the life of the insurance but does not realize the risk of death and survives the life of the insured. These are risk weighted policies and do not have any accumulation. Age range is between 18-60 years, and premiums vary according to age, sex and health-related risk assessment.

ii) Private Pension Operations:

The Individual Pension Contract is a contract that regulates the principles and procedures regarding the opening of an individual pension account at the pension company, the payment of the account contribution, directing the payment of the paid contributions to the preferred funds, and the payment of the accumulated funds to the beneficiaries and other rights and obligations of the parties in this context.

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2. Summary of Significant Accounting Policies (Continued)

ii) Private Pension Operations (Continued):

"Regulation on Amending the Regulation on Individual Pension System" which was published in the Official Gazette numbered 29366 dated 25 May 2015 is effective from 1 January 2016. The definition of mandatory expenditures and funds for irregular payments are determined by this regulation and the portfolio management fee can be expressed through the accumulation of the participants with contributions paid to pension accounts, the cuts also additional administrative expenses from the participants during the accumulation period breaks can be taken in case of interruption of payments is specified. The limitations on deductions based on active years of contract in the system was introduced.

The latest version of the deductions in the regulation is as follows:

The total amount of the entrance fee and management fee incurred during the first five years of the contract does not exceed 8.5% of the gross minimum wage applicable for the first 6 months of the year. After completion of the fifth year of the contract management fee including deduction for contribution holiday under the relevant contract and the entrance fee can not be collected. Regulation does not affect the Company's receivables that are accrued before the enforcement date; Company preserve its rights on receivables accrued before January 1, 2016. In order to calculate time spent in contract, all days spent starting from the first contract that is entered into the system in accordance with the contract transfer data are take into account. If a contract is established prior to January 1, 2016 by transfer, upper limit of deduction is calculated regardless of the amount deducted in other companies. It is subject to calculation, if it is established with transfer after this date.

Except dispersement situations without mandatory reasons like usage of pension right or death, disability or liquidation of the company, in the situation of leaving the company before 5 year contract expires, the part that isn't collected yet until date of leaving along the contract period can be reducible on personal pension account as deferred entrance fee. In this context, deferred entrance fee is the minimum amount between the amount calculated by deducting all the deductions made from the participant until the leaving date from the total deduction upper limit that can be made in 5 years and stated amount on the contract.

Regulations of entrance fee for contracts that are effective before January 1, 2016 and still in force are valid until the contract expires in accordance with the deferred entrance fee amount stated above. However, the deferred entrance fee that is applied under the relevant contracts can not exceed the above-mentioned time and amount limit. According to the regulation, entrance fees can not deducted after the completion of the fifth year of the contract. The same regulations are valid for the contracts where no deferred entrance fee charged and entered into force after January 1, 2016.

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2. Summary of Significant Accounting Policies (Continued)

ii) Private Pension Operations (Continued):

Private pension system receivables mainly consist of capital advances made to pension funds, fund management fee receivables from pension funds, and receivables from participants and the custodian company. In the "fund operating deductions receivables from funds" account; the Company keeps funds operating expense deductions receivables deriving from funds management that could not be collected on the same day. Receivables based on funds from the custodian company on behalf of participants are kept in "receivables from Custodian Company" account. At the same time, this amount is disclosed in private pension system payables account as "payables to participants for sold funds".

Payables from individual business consist of payables to participants, participants temporary accounts, purchase order accounts and liabilities to intermediaries. Payables to participants account contains contribution amount that is directed to investment on behalf of private pension owners and total income generated from these investments. This account implies the total debt in the related balance sheet period to private pension owners. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, resulting from the fund share upon the participant's leaving the system or transferring funds to other individual pension companies. Payables to individual pension agencies comprise the Company's liabilities to individual pension agencies in return of their services. Liabilities to intermediaries of individual pension account represents the Company's liability consist against to services provided to agencies and organizations that intermediates the Company's production of individual pension contract.

The management and representation of the funds and the interruption of the fund management, which is provided for the hardware, personnel and accounting services allocated to the funds, are recorded as income in the Company accounts and are distributed between the Company and the portfolio management company within the scope of the agreement or fixed cost share. These fees are all shown as the fund operation expense interruption in the technical income of the Company and the part of the managerial fee is shown as the amount paid in the technical expenses of the Company in fund provision.

The total deduction made from the pension funds are determined by the type of funds in accordance with the regulation numbered 28462 on the Personal Pension System, and it has been effective since January 1, 2013.

The total amount of management fee, entrance fee and fund total fee deductions to be made by the Company from the end of sixth year of the contract to the expiration date of the contract shall not exceed the amount corresponding to a certain proportion of the amount found in the State Contribution account. By this control, funds available as of January 1, 2016 and the deductions made from returns of these funds are not taken into account. Upper limit control for the deduction associated with state contribution will be implemented starting from January 1, 2021.

"The Law on Making Amendments on Private Pension Savings and Investment System Law" that is published in Official Gazette dated 29 June 2012 and numbered 28338 states that the amount corresponding to 25% of the contributions paid by the individuals will be transferred to the government contributions account in accordance with Additional Article 1.

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2. Summary of Significant Accounting Policies (Continued)

ii) Private Pension Operations (Continued):

Government contributions is regulated according to "Regulation on Government Contribution to Private Pension System" that is published in Official Gazette numbered of 28512 and dated 29 December 2012.

29 December 2012 and valid since 1 January 2013. By this system, in order to encourage "Private Pension System" government contribute proportionately Turkish Citizens, who attended to private pension system (except citizens attended their employers pension plan). This payment is deposited to the private pension accounts of the attendees by government. Government Contribution is 25% of the monthly paid amount by the attendee and annual contribution amount is not going to exceed 25% of the gross annual subsistence wage. Turkish Citizens, who attended personal or group private pension system can benefit from government contribution without seeking of being a taxpayer. Government Contribution is paid within maximum limit. Additional payments, contributions and beginning contributions also benefit from government contributions. Private Pension System Attendee gain right to obtain Government Contribution after breakdown of the pension contract due to retirement, death, disability or discharge.

The amendment about "The Individual Pension Savings and Investment System Law Amendment" numbered 29812 and dated August 25, 2016 and published in official gazette entered into force as of January 1, 2017. According to this new amendment, employees that are appropriate for the conditions stipulated in the law are automatically started to be included in the personal pension system.

Turkish citizens or individuals younger than 45 years that are within the scope article 28 of "Turkish Citizenship Law" dated May 29, 2009 and numbered 5901 and according to subarticle (a) and (c) of the first paragraph of article 4 of "Social Security and General Health Law" dated May 31, 2016 and numbered 5510 will be included in personal pension system by the pension contract that is prepared by employer in accordance with the related law. About the automatic participation in personal pension plan; employer can include its employees in personal pension plan that is prepared by companies that are permitted by undersecretariat for the Treasury.

Company established 10 funds for automatic participation in personal pension plan that are named Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Atak Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu in accordance with the article 22/B in the amendment about "Personal Pension System" and these pension investment funds.

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2. Summary of Significant Accounting Policies (Continued)

iii) Reinsurance agreements:

Reinsurance agreements are the agreements that agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

As of 31 December 2017 and 2016 the Company makes Catastrophic Excess of Loss Reinsurance Treaty in order to preserve its conservation as a result of the events causing massive deaths such as terrorist attacks, public transportation vehicle accidents, and big natural disasters such as earthquake, flood and storm in the life and personal accident branches. When determining this reinsurance preservation, the Company is taking the likely catastrophic scenarios and the geographic distribution of the existing and prospective policyholders into consideration. There are excess insurance treaties which is a type of reinsurance denotes that the amount exceeding the conservation amount up to a determined portion is under the reinsurer's responsibility.

Company has Quota share, surplus, catastrophic excess of loss reinsurance agreements for life and accident branches. In addition to that company make facultative reinsurance agreements from international reinsurance market for treaty agreements, which exceed treaty limit.

In the risk factor life insurance tariffs, every year, as a result of the actuary calculations, an amount that does not exceed the maximum conservation amount determined for the death and supplementary coverage, is kept on the company and the amount exceeding this portion is transferred to the collaborating reinsurance companies via proportional reinsurance treaties (surplus and quota-share reinsurance treaties). In addition to this, the conservation amount of the Company on the coverages which has been recently put into effect such as hazardous diseases and has a relatively ambiguous results, is rather limited. By proportional reinsurance agreements, Münchener Rückversicherungs-AG (Munich Re), which has headquarter in Munich, is the key reinsurance company. Milli Reasürans T.A.Ş. (Milli Re) is the second largest reinsurance company in order to amount of reinsurance deals.

Cigna Finans Emeklilik ve Hayat A.Ş and Cigna Global Reinsurance Company, which is subsidiary of the Cigna Corporation, which is main partner of the Cigna Finans Emeklilik ve Hayat A.Ş., have catastrophic excess of loss reinsurance agreement. Cigna Global Reinsurance Company is contained within Cigna Global Holdings that is affiliated to Cigna Corporation. The company has an quota share agreement with Genworth Reinsurance company for the bankruptcy insurance in personal accident insurance products.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Cash generated from insurance agreements are shown in financial tables in Note 17.

2.16 Investment contracts without discretionary participation feature

None (31 December 2016: None).

2.17 Borrowings

None (31 December 2016: None).

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes on income

Corporate Tax

Corporate tax is payable at a rate of 20% for the year 2017 (2016: 20%). However, the corporate tax rate was revised as 22% for corporate earnings of the tax years 2018, 2019 and 2020 and provisional article 10 has been added to the Law on Corporations Tax. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th day of the second month following and payable by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 75% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as pre-stated in corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There is no such application for the reconciliation of payable taxes with the tax authority in Turkey. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.

In addition, in tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No,5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since the conditions in question were not fulfilled in both in 2017 and 2016, no inflation adjustments were performed (Note 35).

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes on income

Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized (Note 21).

2.19 Employee benefits

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("IAS 19") and classifies in balance sheet under the account "Provision of Employment Termination Benefits".

According to the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labour Law by considering determined actuarial estimates.

As a result of the revision in the IAS 19 which is effective for annual periods starting on or after 1 January 2013, actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. In this context, the service and interest costs are recognized in the statement of income whereas the actuarial gains and losses are recognized in "Other Profit Reserves" under shareholders' equity (Note 15 and 22).

2.20 Provisions

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

Accounting for revenues

2.21 Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations and tax. In life and personal accident branches accrual of the premium income occur after under-writing of the policy. In accordance with the customer demand, cash or installment payment is accepted by the company. Company does not have permanent life insurance policy for the related period.

Interest Income

Interest income is recognized by using the effective interest rate method on an accrual basis.

Subscription Revenues, Total Fund Expenditure Deduction and Management Fee Deduction

Disclosed under Notes 2.14.

2.22 Leases

The Company has no financial Assets acquired through finance lease as of 31 December 2017 (31 December 2016: None).

2.23 Dividend distribution

Dividend payables are reflected to the financial statements as liability in the period in which they are declared as an element of profit distribution. As specified on the articles of association of the Company, the remaining amount after legal reserves, which is mandatory in accordance with TTC article 519, reserved from earnings after taxes which is calculated in accordance with Turkey Accounting Standards and the targeted capital level (except changes in accordance with Article 6) which is decided by the shareholders of Group A1 and Group B1 together on the annual business plan is distributable profit. The agreement between the shareholders of the company is updated and signed again on January 6, 2017. Accordingly, the company's dividend payment for 2016 accounting period will be occurred according to calculation of profit after tax which is in line with "Turkish Accounting Standards", however according to TTK's article 519, before distributing the profit, reserves must be reduced through profit after tax amount, then the remainig amount is distributable amount, and it can be distributed proportional to the shares owned by the shareholders in the Company.

Each year 100% of distributable profit is distributed. Opposite of this decision can be taken with the agreement of 100% of the shareholders. 100% of the distributable profit is distributed to shareholders of Group A1 and Group B1 in accordance with the decision of Board of Directors meeting. The Clause of article No 509 of Turkish Code of Commerce is reserved.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical provisions

Mathematical Reserves

Companies that operate in life and non-life branches make sufficient provisions according to the actuarial basis for the benefit of beneficiary and policy owner, who have life, health or personal accident policy. In addition to life insurances that are longer than one year, in case of entitling disablement as a result of to the personal accident, health and giving assurance as a result of dangerous illnesses; value of the life insurance also contains additional assurances that calculated according to actuarial basis, mathematical reserves. In case of mathematical reserves that are committed, with actuarial mathematical reserve, for different policies and calculated according to technical elements on the tariff, these reserves consist of income that is generated from the profit share of the insured that contains cash that utilized in investments.

The mathematical reserves consists of actuarial mathematical reserves, which is convenient with the technical principles of the tariff, is calculated separately for each effective tariff. The company have actuarial mathematical reserve of TRY 152,031,001 (31 December 2016: TRY91,125,377) for life branch and have actuarial mathematical reserve of TRY2.180.615 for long term personal accident insurance policies, which is effective from May 2015, as of 31 December 2017. These provision has classified as "Mathematical Provisions" in the balance sheet and as "Change in the Mathematical Provisions" in the income statement (Note 17.15).

Unearned Premium Reserve

The company must make unearned premium provision for any contracts except for mathematical reserves of insurance contracts. Unearned premium provision is also made for the annually renewed and corresponding to annual insurance coverage of long-term insurance contracts including one year insurance coverage premiums. Death, life, and both covered by both death given in addition to these guarantees and collateral depends on the possibilities of life as well as accident, disability due to illness, medical expenses due to accident, unemployment, daily hospital benefits due to accident or illness, temporary disability, death by accident, accidental death in public transportation and the contacts that is given assurance as dangerous diseases are considered as life insurance contract and their premiums are accepted as life insurance premiums. In case of annual additional assurances are given with life insurance contracts as a package, these assurances are assessed separately from the life insurances which are given together.

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premium written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. According to "Regulation on Technical Reserves", unearned premium reserves and the reinsurers' share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross basis (Note17.15).

Deferred Commission Expenses and Deferred Commission Incomes

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred commission income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement (Note 17.15).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical provisions (Continued)

Deferred Commission Expenses and Deferred Commission Incomes (Continued)

According to paragraph 6 of Article 5 of the Regulation Regarding the Technical Reserves of Insurance and Reinsurance and Pension Companies and the Assets to be Invested in These Reserves, published by the Undersecretariat of Treasury on August 7, 2007 in the Official Gazette No. 26606, "Commissions paid on intermediary basis, subject to accrual, commissions received for the transferred reinsurance premiums to reinsurer, amounts paid for non-proportional reinsurance agreements and the part of a payment that is corresponding future period or periods of variable production expenses made and payments made for support services of preparation and sale of the tariffs and insurance contracts are accounted under related accounts.

In line with the new commission structure that has been implemented since October 2016, the total commission rate paid for employees at different levels for each policy is calculated and the sales commission amount of the policy is calculated based on the premium amount of the relevant policy. According to the new structure, in the context of the regulation referred in the first paragraph, the Company realizes the deferral of variable production costs from the beginning of the application of the policy in the Company financial statements. An informative letter was sent to the Undersecretariat of Treasury on 5 January 2017 with reference number 2017/1/5-GM-70.

As of 31 December 2017, the Company has no a deferred production loss (31 December 2016: TRY 299,480).

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums. If the loss ratio calculated for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers' share. The Company has not recorded any amount for net unexpired risk reserve since none of the branches exceed the loss ratio of 95% as of 31 December 2017 and 2016 calculations.

Outstanding Claims Provision

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. For the compensation amounts incurred but not reported, effective from 1 January 2015 and numbered 2014/16 "Regarding life branch incurred but not reported outstanding claims provision calculation Circular" and in the framework related regulation, Company should reserve additional outstanding claim provision for incurred but not reported claims as of 5 December 2014.

As of December 31, 2017 difference between accrued and calculated provision for outstanding claims and the amount calculated with the actuarial chain ladder method in accordance with the Technical Provisions Regulation and related regulations of the "Circular Regarding the Outstanding claims" dated 5 December 2014, numbered 2014/16 and effective from 1 January 2015, are accounted as incurred but not reported compensation amount. In accordance with the "Circular for discounting net cash flows arising from outstanding claims provision" dated June 10, 2016, numbered 2016/22 and published by the Undersecretariat of Treasury companies are allowed to discount net cash flows to be generated by the provision for outstanding claims. The Company did not choose to make such accounting policy changes and reflected the net outstanding claims provision for all branches as of December 31, 2017 in its financial statements without any discount.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical provisions (Continued)

Outstanding Claims Provision (Continued)

In accordance with circular numbered 2014/16 and method applied in accordance with the prior circular, additional provision for outstanding claims for life branch is calculated by considering the weighted average that is determined by dividing the disability cover, which occurred before the accounting period but reported in subsequent periods, to the average assurance amounts for subjected years. Bornhuetter-Ferguson Calculation Method and standard chain calculation methods, which are approved by company's actuary and also approved in Circular numbered 2014/16 by Turkish Prime Ministry Undersecretariat Treasury is used for death and unemployment deposit. During this calculation irregular coefficients were corrected according to the statistics. In this context, the company calculated net TRY10,336,743 of incurred but not reported outstanding claims provision for life branch as of December 31, 2016, but according to the principles in "Amendment of the circular regarding the provision for outstanding claims" numbered 2015/7, 2015/28, and 2016/11, regulation makes it possible to account effects gradually in, 2015, 2016, 2017, 2018, and 2019, as a result of this Company accounted TRY5,536,099 net outstanding provision in life branch. (31 December 2016: Life Branch Net IBNR Amount: TRY10,534,460, Reflected in the financial statements: TRY5,536,099) (Note 17.15). Gradual transition on incurred but not reported outstanding claims provision of the Company has an net positive effect on income of TRY1,432,175 as of December 31, 2017. (31 December 2016: TRY4,998,361).

The company started its operations in the personal accident branch in January 2008. IBNR was calculated by using sector averages until 2016 for the personnel accident branch. As of December 31, 2017, the actuarial chain ladder method was used in order to calculate the IBNR account. However, due to the lack of sufficient damage data, IBNR was calculated by using the published sector averages for the development factors. As of 31 December 2017, TRY 975,941 (December 31, 2016: TRY 620,640) net incurred but not reported outstanding claims provision provisioned for the personnel accident branch (Note 17.15).

In accordance with Technical Provisions Regulations, Company should prepare outstanding provision sufficiency table, which have specified format determined by Undersecretariat, at the end of every accounting period according to the gross amount of the new started branches and for the branches, that Company actuary calculates outstanding claim provision in order to calculate the sufficiency for compensation provision as a result of the insufficient damage data. As of 31 December 2017, there are not any additional provision that is caused by outstanding claim sufficiency test (31 December 2016: None).

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2017. The company has made reductions for the first time in the amount of the provision for outstanding claims by using the 15% ratio according to Circular numbered 2011/23, as a result of lack of completed case with all stages and/or being won in last five-years as of 31 December 2017. These calculations were based on the gross amount and reinsurance share of discount is calculated in accordance with reinsurance share of outstanding claims in lawsuit as of 31 December 2017. Net discount from accrued provision for outstanding claims as calculated by the winning ratio in life branch is TRY1,879,902 as of 31 December 2017 (31 December 2016: TRY1,588,449) (Note 17.15).

While calculating the provision for indemnity for file claimants for unemployment supplementary coverage given to life insurances, the probability of file early closure and the provision for outstanding claims have been calculated depending on these possibilities.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical provisions (Continued)

Provision for Discount and Premium

According to "Regulation on Technical Reserves", insurance companies that put premium and discount into practice have to accounted provision for premiums and discounts for insured and beneficiary according to current year technical results. The Company have not provision for discount and premium as of 31 December 2017 (31 December 2016: TRY317,427).

Provision for Renewal Premium

According to "Regulation on Technical Reserves", insurance companies that put premium and discount into practice have to accounted provision for renewal for insured and beneficiary according to current year technical results. As of December 31, 2017, the provision for the renewal premium is amounting to TRY327,486. Provision for renewal premium accounted under short term other technical reserves in financial statement (31 December 2016: None).

As of December 31, 2017, the amount of the renewal premium was TL 288.674 (31 December 2016: None).

Equalisation Reserve

In accordance with the Regulation on Technical Reserves insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Based on the explanation numbered 2009/9 regarding "Application of Regulation on the Technical Reserves" the life and pension companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage in life and accident branches. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. The Company accounted net equalization reserve for life and personal accident branch amounting to TRY16,939,731 and TRY353,522 as of 31 December 2017 (31 December 2016: for life branch TRY12,190,246, for personal accident branch: TRY197,128) (Note 17).

2.25 Currency

The Company uses functional currency as Turkish Lira ("TRY"). Amounts on financial statements and notes has expressed in Turkish Lira ("TRY") unless otherwise indicated.

2.26 Rounded Amounts on Financial Statements

TRY Amounts on financial statements and notes has rounded to most approximate TRY amount unless otherwise indicated.

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2. Summary of Significant Accounting Policies (Continued)

2.27 Related Parties

a) An individual or a family member of this individual are approved to be related with the Company in cases of listed below:

- i. If the individual has management or common management right or controls over Company,
- ii. If the individual has significant influence on the Company,
- iii. If the individual is a member in board of directors.

b) An entity is approved to be related with the Company in cases of listed below:

- i. If the entity and the Company are in the same group,
- ii. If the Company are subsidiary or joint venture of this entity (or another entity which is in same group with the entity),
- iii. If the entity and the Company are joint venture of same third part entity,
- iv. If the entity are joint venture of a third part entity and the Company are subsidiary of the same third part entity,
- v. If Company, or related party of this company have benefit plan for their employees(Sponsor employers are also related to Company),
- vi. If the entity is controlled or controlled in common by an individual identified in article (a),
- vii. If an individual identified in article (a) paragraph (i) has an effect on the entity or there is a member of the key management personnel of the relevant entity(or parent of this entity).

Transactions of sources, services or liabilities between related parties, regardless of its amount are called related party transactions.

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2. Summary of Significant Accounting Policies (Continued)

2.28 Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

3. Critical Accounting Estimates and Judgments

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

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

Estimations and underlying assumptions of the estimations is consistently overviewed. Updates of the accounting estimation are taken in to records in the current and following period that effected by updating.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 4.1 - Insurance risk management
- Note 4.2 - Financial risk management
- Note 10 - Reinsurance assets and liabilities
- Note 11 - Financial assets
- Note 12 - Loans and receivables
- Note 21 - Deferred taxes
- Note 42 - Risks

4. Management of Insurance and Financial Risk

4.1 Insurance risk management

Insurance risk, the risk under any contract is the possibility that insured event occurs and the uncertainty of the amount of resulting claim.

In terms risks of companies that carry out their operations on life insurance, the most important risks which for insurance agreements are mortality, investment and reinsurance risks. The Company is established additional various committees to related administrative segments and proceed internal control methods to minimize operational risks.

In concern with risks management arising from giving insurance guarantee, the Company determined risk assessment procedure, which is proper to agreed risk assessment conditions with contracted reinsurer and guarantee demands of the targeted insured segments. As part of reinsurance program bases that agreed with contracted reinsurer, the Company accepts or rejects insurance risks that substandard in accordance its risk assessment measurements , transferred risks that are above of a certain price as contracted or arbitrary to reinsurer companies.

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4. Management of Insurance and Financial Risk (Continued)

4.1 Insurance risk management (Continued)

Risk acceptance regulations is prepared to create effective risk assessment policy related to Company's insurance risks and risk assessment operations is performed in this context. Risk Assessment Committee is established to carry on effective insurance risk assessment study.

After realization of biotic risks that guaranteed by the Company, paying valid insurance reimbursement demands that assessment and paying appointed reimbursement to rights-holders within the shortest time is adopted by the Company.

The Company does not have any guaranteed dividend liabilities in the period, since there are not any life insurance agreement arising from saving life insurance branch.

There are various reasons for the insurance risk sensitivity. The Company manage these risks with effective risk assessment policy and proper reinsurance agreements besides reimbursement payment process.

The main goal of the risk evaluation is creating profitable business volume and developing this business volume in accordance with actuarial principles. Giving careful decisions by risk selection process and avoiding to give wrong decisions and practices is needed to achieve this goal. The most important risk to person who apply to the Company to take out a policy could be defined as realization of the incurred reimbursement is higher than expected reimbursement. In addition, protecting life insurance companies against people that in a risky situation for life insurance and malicious injured is important. Risk assessment is a self-protection operation for the Company and against possible reimbursements payments to person, whose life is under risks. Although, probability of realization of this risky situation is low in total portfolio, amount of the reimbursement could be paid is essential for the Company's financial status and occasionally it is not possible to determine these risks.

Purpose of the insurance risk operation can be collected under three main topic:

- For the person that exposed to normal risks, bringing the risk premium rate to a reasonable level,
- Pricing an insurance product; benefiting from mortality value that constituted for normal and out of standard risk levels,
- Avoiding price disparity between normal and out of standard risk levels,

The company's insurance risk assessment policy based on production strategy and distribution of risk in accordance with its type, size and geographical region. Risk assessment limits of the Risk Acceptance Regulation are reviewed in accordance with company needs and changing life insurance portfolio structure and also it has been paid attention to choose the right risk.

Insurance risk assessment tools that are accepted in the world and applied in the international area have been used in the company's risk assessment process. In the assessment of medical, personal and financial technical risks, controls are made according to the internet based insurance risk assessment tool called Munich Re's MIRA (Munich Re Internet Risk Assessor), the leading reinsurance company in the reinsurance program, and numerical risk rating results that are obtained from this program are used by the company.

4.2 Financial risk management

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

	31 December 2017	31 December 2016
Life	57,449,824,421	41,108,935,794
Personal accident	26,142,764,850	13,818,139,445
Total	83,592,589,271	54,927,075,239

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial risk management (Continued)

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used in pricing the policies. The Company uses the appropriate mortality table for each product. In addition, the tariffs are updated according to the loss ratio of each product.

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments. Risk management is carried out by management under policies approved by the Board of Directors.

Risks that the Company exposed related to pricing policies is as follows:

Market risk

Cash flow, market interest rate and price risk

The Company is exposed to interest rate risk arising from financial assets and liabilities that have variable interest rate.

As of 31 December 2017, the Company has no financial asset that have variable interest rate (31 December 2016: None).

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated receivables and payables. This risks are followed by analyzing foreign exchange position and restricted.

As of 31 December 2017, if US Dollar was increased/decreased by %10 against TRY and all other variables held constant, profit before tax as a results of exchange difference gain/loss arising from US Dollar currency denominated receivables and payables would be lower/higher by TRY11,069 (31 December 2016: TRY48,414 higher/lower).

Debts denominated in foreign currencies are as follows:

31 December 2017	US Dollar	TRY Amount
Cash & Cash Equivalents	313,152	1,181,178
Total Assets	313,152	1,181,178
Due to Related Parties	53,109	200,321
Other Payables	230,698	870,170
Total Liabilities	283,807	1,070,491
Foreing Currency Position, Net	29,345	110,687

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4. Management of Insurance and Financial Risk (Continued)

Foreign currency risk (Continued)

31 December 2016	US Dollar	TRY Amount
Cash & Cash Equivalents	304,357	1,071,093
Due from Related Parties	21,992	77,394
Total Assets	326,349	1,148,487
Due to Related Parties	132,330	465,696
Other Payables	56,447	198,648
Total Liabilities	188,777	664,344
Foreing Currency Position, Net	137,572	484,143

The company's foreign currency debt includes debt due to related companies and suppliers, including reinsurance, and support services.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents and bank deposits, financial assets, reinsurers' share of insurance liabilities, due from reinsurers and premium receivables from policyholders and intermediaries. The Company management deems these risks as total credit risk to the counterparty.

The Company follows and monitors the credit risk of financial assets classified as loans and receivables and receivables from insurance operations (including reinsurance receivables) by guarantees received and procedures applied for the selection of the counterparties. Other explanations in relation to these receivables are disclosed in Note 12.

The Company's financial assets which are subject to credit risk, except for loans and receivables, generally consist of government bonds and time and demand deposits held in banks and other financial institutions in Turkey; and such receivables are not deemed to have a high credit risk.

Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such liabilities.

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management

The company proposes to over its liabilities indicated below, with its financial assets and with its cash and cash equivalents placed under its assets. The term analysis of the assets and liabilities of the Company as of 31 December 2017 and 2016 is as shown.

31 December 2017	No Maturity	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Unallocated	Total
Assets								
Cash and Cash Equivalents	5,917,224	100,631,903	196,183,268	54,101,476	-	-	-	356,833,871
Receivables from Main Operations	-	12,545,164	11,837,585	10,783,537	-	-	812,378,233	847,544,519
Prepaid Expenses and Income Accruals	-	198,204	1,865,273	22,996,074	-	-	-	25,059,551
Other Receivables	-	-	-	-	14,899	-	-	14,899
Financial Assets	-	-	-	-	-	-	391,100	391,100
Tangible Assets	-	-	-	-	-	-	5,756,295	5,756,295
Intangible Assets	-	-	-	-	-	-	12,506,646	12,506,646
Other Non-current Assets	-	-	-	1,602,484	607,983	-	3,193,752	5,404,219
Total Assets	5,917,224	113,375,271	209,886,126	89,483,571	622,882	-	834,226,026	1,253,511,100
Liabilities								
Payables from Main Operations	-	19,077,723	2,187,117	3,135,893	-	-	802,604,469	827,005,202
Due to Related Parties	-	636,838	-	-	-	-	-	636,838
Other Payables	-	3,667,545	-	-	-	-	-	3,667,545
Insurance Technical Provisions	-	424,601	5,058,103	76,651,662	127,059,295	13,658,134	54,750,695	277,602,490
Taxes, and Other Liabilities, and Provision	-	2,965,172	3,930,392	-	-	-	-	6,895,564
Deferred Income and Expense Accruals	-	1,452,225	47,303	1,042,251	748,195	66,071	-	3,356,045
Other Current Liabilities	-	-	7,050,000	257,418	3,039,918	-	256,096	10,603,432
Provisions for Other Risks	-	-	-	-	-	-	3,801,989	3,801,989
Shareholders' Equity	-	-	-	-	-	-	119,941,995	119,941,995
Total Liabilities and Shareholder's Equity	-	28,224,104	18,272,915	81,087,224	130,847,408	13,724,205	981,355,244	1,253,511,100
Net Position	5,917,224	85,151,167	191,613,211	8,396,347	(130,224,526)	(13,724,205)	(147,129,218)	-

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

31 December 2016	No Maturity	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Unallocated	Total
Assets								
Cash and Cash Equivalents	2,459,567	120,207,806	82,475,453	39,968,255	-	-	-	245,111,081
Financial Assets	-	14,726,268	11,110,359	19,166,040	-	-	676,572,924	721,575,591
Receivables from Main Operations	-	77,394	-	-	-	-	-	77,394
Due from Related Parties	-	256,615	1,335,947	21,831,397	-	-	-	23,423,959
Prepaid Expenses and Income Accruals	-	-	-	-	15,347	-	-	15,347
Other Receivables	-	-	-	-	-	-	362,019	362,019
Financial Assets	-	-	-	-	-	-	6,104,715	6,104,715
Tangible Assets	-	-	-	-	-	-	8,912,169	8,912,169
Intangible Assets	-	164,752	833,447	(40,675)	247,100	-	2,304,075	3,508,699
Total Assets	2,459,567	135,432,835	95,755,206	80,925,017	262,447	-	694,255,902	1,009,090,974
Liabilities								
Payables from Main Operations	-	20,969,495	3,253,040	5,449,957	-	-	669,192,658	698,865,150
Due to Related Parties	-	968,459	-	-	-	-	-	968,459
Other Payables	-	2,024,469	-	-	-	-	-	2,024,469
Insurance Technical Provisions	-	374,516	3,763,738	71,210,085	70,517,267	13,105,791	49,604,403	208,575,800
Taxes, and Other Liabilities, and Provision	-	2,134,921	1,285,773	-	-	-	-	3,420,694
Deferred Income and Expense Accruals	-	826,401	24,588	454,480	430,002	53,070	-	1,788,541
Other Current Liabilities	-	-	3,945,916	-	1,184,606	-	1,177,946	6,308,468
Provisions for Other Risks	-	-	-	-	-	-	2,283,844	2,283,844
Shareholders' Equity	-	-	-	-	-	-	84,855,549	84,855,549
Total Liabilities and Shareholder's Equity	-	27,298,261	12,273,055	77,114,522	72,131,875	13,158,861	807,114,400	1,009,090,974
Net Position	2,459,567	108,134,574	83,482,151	3,810,495	(71,869,428)	(13,158,861)	(112,858,498)	-

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

Mortality Risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used in pricing the policies. The Company uses the appropriate mortality table for each product. In addition, the tariffs are updated according to the loss ratio of each product.

Fair value of the financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

a) Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate carrying values. The fair values of cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying value of receivables from main operations along with related provision for overdue receivables is considered to approximate respective fair values. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

b) Financial liabilities

The fair values of liabilities from main operations and other financial liabilities are considered to approximate to their respective carrying values.

c) Hierarchy of Fair Value

The Company evaluates its financial assets which are accounted with its fair values on 3 different levels by valuation methods.

- Level 1: Quotation prices on active markets of the identical assets and liabilities which the Company can reach on the evaluating date (unrevised prices),
- Level 2: The data except the quotation prices on Level 1, observable directly or indirectly relating to the asset or liability,
- Level 3: Unobservable data relating to the asset or liability.

The company does not have any financial asset or liability which enters to Level 3 and exits from Level 3 or transfers to other levels.

Capital management

The Company's objectives when managing the capital are:

- To comply with the capital requirements of the Treasury,
- To safeguard the Company's ability to continue as a going concern so that it can continue the operations.

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

Capital management (Continued)

The minimum required shareholders' equity amount calculated as of 31 December 2017 within the framework of the related regulations on capital adequacy is TRY55,927,558 (31 December 2016: TRY45,321,259). The Company shareholder's equity amount is TRY81,307,690 (31 December 2016: TRY 51,921,664) higher than the required minimum of shareholder amount. The detailed calculations of the Company related to Capital Adequacy as of 31 December 2017 and 2016 is as shown below:

	31 December 2017	31 December 2016
1st Method		
Equity Required for Life Branch	38,681,862	32,179,200
Equity Required for Pension Branch	3,995,756	3,333,800
Equity Required for Non-Life Branches	7,635,160	4,983,489
Total Required Equity	50,312,778	40,496,489
2nd Method		
Equity Required for Active Risk	28,482,657	27,374,596
Equity Required for Underwriting Risk	23,581,363	14,795,161
Equity Required for Excess Premium Increase	-	-
Equity Required for Outstanding Claims Reserve	1,821,994	1,835,902
Equity Required for Reinsurance Risk	2,033,242	1,279,289
Equity Required for Currency Risk	8,302	36,311
Total Required Equity	55,927,558	45,321,259
Capital Sum (*)	137,235,248	97,242,923
Capital Adequacy Result	81,307,690	51,921,664

(*) Equalization provision amount was added to the equity.

5 Segment Information

Disclosed in Note 2.3.

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6. Property and Equipment (Continued)

Movement table of tangible assets:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Machinery and equipment	6,341,006	1,430,678	-	7,771,684
Leasehold improvements	5,674,974	419,221	-	6,094,195
Total Cost	12,015,980	1,849,899	-	13,865,879
Accumulated depreciation				
Machinery and equipment	(3,382,474)	(1,233,822)	-	(4,616,296)
Leasehold improvements	(2,528,791)	(964,497)	-	(3,493,288)
Total accumulated depreciation	(5,911,265)	(2,198,319)	-	(8,109,584)
Net book value	6,104,715			5,756,295

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Machinery and equipment	5,888,286	558,437	(105,717)	6,341,006
Leasehold improvements	5,962,847	4,425	(292,298)	5,674,974
Total Cost	11,851,133	562,862	(398,015)	12,015,980
Accumulated depreciation				
Machinery and equipment	(2,361,633)	(1,122,314)	101,473	(3,382,474)
Leasehold improvements	(1,826,070)	(930,903)	228,182	(2,528,791)
Total accumulated depreciation	(4,187,703)	(2,053,217)	329,655	(5,911,265)
Net book value	7,663,430			6,104,715

As of 31 December 2017 and 2016 the Company does not have any tangible asset arising from financial leasing.

As of 31 December 2017 and 2016 there are no mortgage on the tangible assets of the Company.

7. Investment Properties

The Company has no investment property as of 31 December 2017 (31 December 2016: None).

8. Intangible Assets

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	23,712,035	10,115,767	-	33,827,802
Accumulated depreciation				
Rights	(14,799,866)	(6,521,290)	-	(21,321,156)
Net book value	8,912,169			12,506,646
	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights	17,361,658	6,350,377	-	23,712,035
Accumulated depreciation				
Rights	(10,245,339)	(4,554,527)	-	(14,799,866)
Net book value	7,116,319			8,912,169

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9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method as of 31 December 2017 and 2016.

10. Reinsurance Assets

Reinsurance Assets/(Liabilities)	31 December 2017	31 December 2016
Reinsurers' share of unearned premiums reserve	7,403,218	6,642,939
Reinsurers' share of outstanding claims provision	4,316,885	(94,248)
Equalization provision reinsurers' share	3,894,958	4,933,697
Payables/receivables to reinsurance companies	423,725	277,863
Deferred reinsurance commissions	(1,907,493)	(964,782)
Total	14,131,293	10,795,469

There is no impairment recognized for the reinsurance assets.

Income and expenses accounted for in the income statement for the Company's reinsurance contracts are presented in the following table:

Reinsurance Income/(Expense)	1 January - 31 December 2017	1 January - 31 December 2016
Reinsurers' share in paid claims	11,568,538	6,100,087
Commission received from reinsurers	3,714,143	2,312,040
Reinsurers' share of change in unearned premiums reserve	760,279	1,643,050
Reinsurers' share of change in the equalization provision	145,862	87,955
Reinsurers' share in check-up expense	26,357	65,619
Reinsurers' share in change in outstanding claim provision	(1,038,739)	2,811,000
Premium ceded to reinsurers	(14,862,550)	(12,085,431)
Total	313,890	934,320

11. Financial Assets

11.1 Sub categorization of the items presented compatible to the Company's operations:

The company has no financial assets held for trading as of 31 December 2017 (31 December 2016: None).

	31 December 2017	31 December 2016
Credits and Receivables (Note 12)	847,958,341	722,732,072
Total	847,958,341	722,732,072

11.2 Marketable securities issued during the year other than share certificates:

None (31 December 2016: None).

11.3 Debt securities redeemed during the year:

None (31 December 2016: None).

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11. Financial Assets (Continued)

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value:

The company has no "financial assets held for trading" as of 31 December 2017 (31 December 2016: None).

As of 31 December 2017 amount of TRY391,100 in the financial fixed assets that Company have consist of Pension Monitoring Center shares (31 December 2016: TRY362,019). Since the Pension Monitoring Center shares is not trading actively in market, these shares do not have fair value.

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers:

None (31 December 2016: None).

11.6 Value increase on financial assets in the last three years:

Value increase on financial assets disclosed under notes 11.7 and 26.

11.7-11.9 Other information about financial assets:

Disclosed under note 26.

The company doesn't have any securities as of 31 December 2017 (31 December 2016: None).

12. Loans and Receivables

12.1 Classification of the receivables as receivables from customers, receivables from related parties, advance payments (short-term and long-term prepayments) and others:

	31 December 2017	31 December 2016
Receivables from pension operations	808,702,488	677,581,472
Due from insurance operations	38,841,671	43,992,904
Bank guaranteed credit card receivables	360	1,215
Doubtful receivables from main operations	49,266	50,896
Provision for doubtful receivables from main operations (-)	(49,266)	(50,896)
Due from Related Parties	-	77,394
Prepaid expenses	413,822	1,079,087
Receivables from main operations	847,958,341	722,732,072

12.2 Due from/due to shareholders, associates and subsidiaries:

The transactions and balances with the related parties are disclosed in Note 45.

12.3 Total mortgages and collaterals obtained for receivables:

The Company does not have any assurance for receivables (31 December 2016: None).

12.4 Receivables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:

Company's receivables and payables in foreign currency with the related parties are disclosed in Note 4.2.

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12. Loans and Receivables (Continued)

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2017	31 December 2016
Overdue receivables	11,048,664	7,470,798
Up to 3 months	17,009,835	17,362,057
3 - 6 months	6,755,676	12,222,323
6 months - 1 year	4,027,856	6,938,941
Total	38,842,031	43,994,119

The details of receivables that are overdue but not yet become doubtful:

	31 December 2017	31 December 2016
Up to 3 months	9,473,079	5,571,105
3 - 6 months	224,494	491,656
6 months - 1 year	92,017	166,384
Longer than 1 year	1,259,074	1,241,653
Total	11,048,664	7,470,798

Company does not have any assurance for the receivables that are overdue which are explained above.

Entrance fee receivables that inside of receivables from pension operations amount TRY49,266 is classified in doubtful receivables from main operations and the Company accounted provision for this amount in additional financial statements as of 31 December 2017 (31 December 2016: TRY50,896).

As of 31 December 2017 receivables from entrance fee that inside of receivables from pension operations is TRY1,938,232 (31 December 2016 : TRY2,047,974) and receivables for overdue entrance fee is TRY1,938,203 (31 December 2016: TRY2,034,489).

13. Derivative Financial Instruments

None (31 December 2016: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the statement of cash flows for the periods 31 December 2017 and 2016 are presented in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2017	31 December 2016
Banks	344,948,517	233,240,881
- TRY	343,767,339	232,169,788
- Foreign Currency (Note 4,2)	1,181,178	1,071,093
Bank guaranteed credit card receivables with maturities less than three months	11,885,354	11,870,200
Total	356,833,871	245,111,081

The blockage period for credit card receivables less than 3-month-maturity of the Company is in the range of 26-56 days as of 31 December 2017 (31 December 2016: 26-39 days).

The detail of the Bank deposits of the company is as follows:

	31 December 2017	31 December 2016
TRY deposits		
- Time deposits	339,031,293	230,781,314
- Demand deposits	5,917,224	2,459,567
Total	344,948,517	233,240,881

As of 31 December 2017 time deposit worth of TRY161,965,328 is blocked (31 December 2016: TRY110,525,164) (Note 43).

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14. Cash and Cash Equivalents (Continued)

The weighted average interest rates of the time deposits are as follows:

	31 December 2017 (%)	31 December 2016 (%)
Interest rates		
-TRY	14.2%	11.0%
-USD	3.7%	2.7%

15. Capital

Movements of the legal reserves during the year are as follows:

	1 January 2017		Issued Capital		Amortized		31 December 2017	
	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY
Paid in capital	45,000,000	45,000,000	-	-	-	-	45,000,000	45,000,000
Total	45,000,000	45,000,000	-	-	-	-	45,000,000	45,000,000

	1 January 2016		Issued Capital		Amortized		31 December 2016	
	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY
Paid in capital	45,000,000	45,000,000	-	-	-	-	45,000,000	45,000,000
Total	45,000,000	45,000,000	-	-	-	-	45,000,000	45,000,000

The company does not liable to registered capital system. The details of dividend distribution is disclosed under Note 38.

There are not any shares held by the Company itself (31 December 2016: None).

The Company does not have any future delivery and equity share sales arising from contracts (31 December 2016: None).

Legal Reserves:

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage. There is no movement in the legal reserves in the current period.

	2017	2016
Legal Reserves:		
Opening balance - 1 January	12,718,151	11,202,422
Increases during the period	2,978,720	1,515,729
Closing balance - 31 December	15,696,871	12,718,151

Movements of the legal reserves and other legal reserves during the year are as follows:

	2017	2016
Other legal reserves:		
Opening balance - 1 January	(527,110)	(746,718)
Increases during the period	(475,358)	219,608
Closing balance - 31 December	(1,002,468)	(527,110)

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16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified under the equity is explained in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided and guarantees provided for life and non-life branches:

	31 December 2017	31 December 2016
Required guarantee amount to be provided for life branch (*)	176,816,882	112,389,880
Guarantee amount provided for life branch (**)	157,446,249	106,489,265
Required guarantee amount to be provided for non-life branch (*)	4,470,081	2,908,164
Guarantee amount provided for non-life branch (**)	4,519,079	4,035,899

(*) In accordance with the article 4 of Communiqué regarding "The Financial Structure of Insurance, and Reinsurance and Pension Companies", published in the Official Gazette (No:26606) dated 7 August 2007 in accordance with the adaptation to the Insurance Law, the insurance and pension fund companies operating in personal accident and life branches should provide guarantees that equals to one third of required capital amount in each capital adequacy calculation period.

(**) In accordance with the article 7 first paragraph of "The Financial Structure of Insurance, and Reinsurance and Pension Companies", published in the Official Gazette (No: 26616) dated 17 August 2007, the insurance and pension fund companies operating in personal accident and life branches have to establish guarantees in two months that following capital adequacy calculation period. In accordance related article, the Company propose to complete current blockage explicit until 28 February 2017.

17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status:

	2017 Number of Policies	2016 Number of Policies
Opening balance - 1 January	1,439,622	1,422,549
Addition	1,799,815	896,290
Disposal	(972,219)	(879,217)
Closing Balance - 31 December	2,267,218	1,439,622

	31 December 2017	31 December 2016
Mathematical reserves - Short term	9,716,053	6,617,783
Mathematical reserves - Long term (*)	142,314,948	84,507,594
Mathematical reserves - Personal accident	2,180,615	1,622,663
Total	154,211,616	92,748,040

17.3 Insurance guarantees given for non-life branches:

Disclosed in Note 4.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.4 Unit prices of pension funds established by the Company:

Pension Funds	Unit Prices (*) 31 December 2017	Unit Prices (*) 31 December 2016
CHK Kamu Borçlanma Araçları Emeklilik YF (**)	0,021447	0,020043
CHT Katkı Emeklilik Yatırım Fonu	0,013250	0,012041
CHN Birinci Değişken Emeklilik Yatırım Fonu	0,023374	0,020370
CHL Para Piyasası Emeklilik Yatırım Fonu	0,019821	0,017897
CHH Birinci Hisse Senedi Emeklilik Yatırım Fonu	0,053963	0,032799
CHM İkinci Değişken Emeklilik Yatırım Fonu (**)	0,021672	0,016682
CGG Kamu Borçlanma Araçları Grup Emeklilik YF	0,014354	0,013355
CGE Birinci Değişken Grup Emeklilik YF (**)	0,015626	0,013568
CHS Standart Emeklilik YF	0,013579	0,012247
CFB Başlangıç Emeklilik YF	0,011030	-
CFY Başlangıç Katılım Emeklilik YF	0,010785	-

(*) Unit prices of funds are evaluated amount as of 28 December 2017.

(**) For the period 31 December 2016, unit prices of funds are evaluated as of 30 December 2016.

17.5 Units and amounts of share certificates in portfolio and in circulation:

Private pension funds in circulation:

	31 December 2017 (*)			
	in Circulation		in Fund	
	Unit	Amount in TRY	Unit	Amount in TRY
CHK Kamu Borçlanma Araçları Emeklilik YF	14,136,495,491	303,185,419	5,863,504,509	125,754,581
CHT Katkı Emeklilik Yatırım Fonu	9,348,447,310	123,866,927	990,651,552,690	13,126,133,073
CHN Birinci Değişken Emeklilik Yatırım Fonu	4,898,768,270	114,503,810	5,101,231,730	119,236,190
CHL Para Piyasası Emeklilik Yatırım Fonu	5,214,818,843	103,362,924	4,785,181,157	94,847,076
CHH Birinci Hisse Senedi Emeklilik Yatırım Fonu	1,447,969,189	78,136,761	8,552,030,811	461,493,239
CHM İkinci Değişken Emeklilik Yatırım Fonu	1,147,036,625	24,858,578	8,852,963,375	191,861,422
CGG Kamu Borçlanma Araçları Grup Emeklilik YF	884,221,098	12,692,110	9,115,778,902	130,847,890
CGE Birinci Değişken Grup Emeklilik YF	482,163,859	7,534,292	9,517,836,141	148,725,708
CHS Standart Emeklilik YF	1,062,937,150	14,433,624	8,937,062,850	121,356,376
CFB Başlangıç Emeklilik YF	927,958,391	10,235,381	1,999,072,041,609	22,049,764,619
CFY Başlangıç Katılım Emeklilik YF	587,975,802	6,341,319	1,999,412,024,198	21,563,658,681
Total	40,138,792,028	799,151,145	5,049,861,207,972	58,133,678,855

	31 December 2016 (*)			
	in Circulation		in Fund	
	Unit	Amount in TRY	Unit	Amount in TRY
CHK Kamu Borçlanma Araçları Emeklilik YF	13,827,965,002	277,153,903	6,172,034,998	123,706,097
CHN Esnek Emeklilik YF	4,872,602,044	99,254,904	991,383,963,919	11,937,254,310
CHT Katkı Emeklilik YF	8,616,036,081	103,745,690	5,127,397,956	104,445,096
CHL Para Piyasası Likit Kamu Emeklilik YF	5,093,441,033	91,157,314	4,906,558,967	87,812,686
CHH Büyüme Amaçlı Hisse Senedi Emeklilik YF	1,524,932,903	50,016,274	8,475,067,097	277,973,726
CHM Büyüme Amaçlı Esnek Emeklilik YF	1,042,197,097	17,385,932	8,957,802,903	149,434,068
CGG Gruplara Yönelik Getir Amaçlı K, B, A, E, YF	876,078,032	11,700,022	9,123,921,968	121,849,978
CGE Gruplara Yönelik Esnek Emeklilik YF	476,393,477	6,463,707	9,523,606,523	129,216,293
CHS Standart Emeklilik YF	806,906,396	9,882,183	9,193,093,604	112,587,817
Total	37,136,552,065	666,759,929	1,052,863,447,935	13,044,280,071

(*) Forward value transactions are updated on T+1 day in the shares of the table in circulation, on the other hand since the accounting record occurs at T+2 days it shows differences in the shares in circulation and receivables/payables from long-term operations in pensions.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.6 Numbers and portfolio amounts of the individual and group pension funds' participants (entered, left, cancelled during the period and the current participants)

	31 December 2017						Current Unit	Current TRY
	Additions in period Unit	Additions in period TRY	Disposals in period Unit	Disposals in period TRY	Cancellations in period Unit (*)	Cancellations in period TRY (*)		
Individual	1,409	4,865,014	14,957	118,192,506	-	-	94,426	651,566,549
Group	132	205,887	5,416	25,483,094	-	-	20,160	131,007,895
Total	1,541	5,070,901	20,373	143,675,600	-	-	114,586	782,574,444

	31 December 2016						Current Unit	Current TRY
	Additions in period Unit	Additions in period TRY	Disposals in period Unit	Disposals in period TRY	Cancellations in period Unit (*)	Cancellations in period TRY (*)		
Individual	14,906	13,718,836	18,955	110,966,423	-	-	107,980	555,681,001
Group	3,587	1,967,525	8,168	23,683,860	-	-	25,438	111,078,928
Total	18,493	15,686,361	27,123	134,650,283	-	-	133,418	666,759,929

As of December 31, 2017, the data for the automatic participation system in corporate pension contracts are as follows:

	1 January - 31 December 2017						Current Unit	Current TRY
	Additions in period Unit	Additions in period TRY	Disposals in period Unit	Disposals in period TRY	Cancellations in period Unit (*)	Cancellations in period TRY (*)		
Group (**)	126,832	16,576,701	79,406	9,578,535	-	-	47,426	16,576,701
Total	126,832	16,576,701	79,406	9,578,535	-	-	47,426	16,576,701

(*)Cancellations in period TRY are not shown since that are not effective equivalents in TRY.

(**)Since the effective date is 1 January 2017, there are no comparative figures for the prior periods.

17.7 Valuation methods of profit share calculation for life insurance:

None (31 December 2016: None).

17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participant's attendant at the Company during the period:

	1 January - 31 December 2017			1 January - 31 December 2016		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual (*)	1,409	5,588,348	5,588,348	14,906	16,084,578	16,072,228
Group (*)	132	233,390	232,434	3,587	2,426,118	2,405,653
Total	1,541	5,821,738	5,820,782	18,493	18,510,696	18,477,881

(*) Agreements that new entrances in the current year in order that not standing at the end of the period have been included (Agreements that comes from other companies have been included to new entrance amount).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participant's attendant at the Company during the period (Continued)

As of December 31, 2017, the data for the automatic participation system in corporate pension contracts are as follows:

	1 January- 31 December 2017			1 January- 31 December 2016		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Group (*)	126,832	25,541,949	25,541,949	-	-	-
Total	126,832	25,541,949	25,541,949	-	-	-

(*) Since the effective date is 1 January 2017, there are no comparative figures for the prior periods.

17.9 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:

	1 January- 31 December 2017			1 January- 31 December 2016		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	96	2,849,275	2,849,275	229	3,867,340	3,867,340
Group	8	130,082	130,082	50	353,979	353,979
Total	104	2,979,357	2,979,357	279	4,221,319	4,221,319

17.10 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period: None (1 January - 31 December 2016: None).

17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants that left the Company and transferred to another Company or that left the Company but did not transfer to another Company:

	1 January- 31 December 2017			1 January- 31 December 2016		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	14,957	101,083,762	99,714,777	18,955	102,113,644	100,607,201
Group	5,416	21,418,731	21,202,751	8,168	22,034,214	21,792,188
Total	20,373	122,502,493	120,917,528	27,123	124,147,858	122,399,389

As of December 31, 2017, the data for the automatic participation system in corporate pension contracts are as follows:

	1 January- 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	-	-	-
Group (*)	79,406	9,471,903	9,471,903
Total	79,406	9,471,903	9,471,903

(*)Since the effective date is 1 January 2017, there are no comparative figures for the prior periods.

17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:

	1 January - 31 December 2017		1 January - 31 December 2016	
	Number of Policies	Net Premium	Number of Policies	Net Premium
Individual	76,248	79,714,447	83,997	83,952,726
Group	1,723,567	358,634,671	812,293	189,867,817
Total	1,799,815	438,349,118	896,290	273,820,543

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period:

	1 January - 31 December 2017				1 January - 31 December 2016			
	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TRY)	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TRY)
Individual	220,274	(50,997,520)	(49,602,793)	39,546,416	66,682	63,967,478	61,476,310	27,709,450
Group	751,945	(174,089,209)	(168,946,039)	112,484,585	812,535	166,490,109	153,089,457	63,415,927
Total	972,219	(225,086,729)	(218,548,832)	152,031,001	879,217	230,457,587	214,565,767	91,125,377

17.14 Profit share distribution rate to the life policyholders:

The Company does not have any saving life insurance which is liable to dividend distribution (31 December 2016: None).

17.15 - 17.19 Other required information about liabilities from insurance agreements:

	31 December 2017	31 December 2016
Gross technical reserves		
Mathematical Reserves	154,211,616	92,748,040
Unearned Premium Reserve	75,715,912	72,548,868
Outstanding Claims Provision	41,352,400	42,150,727
Equalisation Reserve	17,716,978	12,665,237
Refreshment Premium Allowance	327,485	-
Bonus and Rebate Provision	-	317,427
Total	289,324,391	220,430,299
Reinsurer's share		
Unearned Premium Reserve	(7,403,218)	(6,642,939)
Equalisation Reserve	(3,894,958)	(4,933,697)
Outstanding Claims Provision	(423,725)	(277,863)
Total	(11,721,901)	(11,854,499)
Net technical reserves		
Mathematical Reserves	154,211,616	92,748,040
Unearned Premium Reserve	68,312,694	65,905,929
Outstanding Claims Provision	37,457,442	37,217,030
Equalisation Reserve	17,293,253	12,387,374
Refreshment Premium Allowance	327,485	-
Bonus and Rebate Provision	-	317,427
Total	277,602,490	208,575,800

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

	31 December 2017		
	Gross	Reinsurer's Share	Net
Outstanding Claims Provision			
Outstanding Claims Provision	34,170,898	(3,181,430)	30,989,468
Calculated discount amount according to winning ratio	(2,026,848)	146,946	(1,879,902)
Claims incurred but not reported	9,208,350	(860,474)	8,347,876
Total	41,352,400	(3,894,958)	37,457,442
	31 December 2016		
	Gross	Reinsurer's Share	Net
Outstanding Claims Provision	37,320,812	(4,672,072)	32,648,740
Calculated discount amount according to winning ratio	(1,697,706)	109,257	(1,588,449)
Claims incurred but not reported	6,527,621	(370,882)	6,156,739
Total	42,150,727	(4,933,697)	37,217,030

Claims incurred but not reported

	31 December 2017		
	Gross	Reinsurer's Share	Net
Life	8,151,733	(779,798)	7,371,935
Personal Accident	1,056,617	(80,676)	975,941
Total	9,208,350	(860,474)	8,347,876

	31 December 2016		
	Gross	Reinsurer's Share	Net
Life	5,862,500	(326,401)	5,536,099
Personal Accident	665,121	(44,481)	620,640
Total	6,527,621	(370,882)	6,156,739

	2017		
	Gross	Reinsurer's Share	Net
Outstanding Claims Provision Movement Table			
Opening balance - 1 January	37,320,812	(4,672,072)	32,648,740
Paid Claims	(94,877,498)	11,568,538	(83,308,960)
Change	91,727,584	(10,077,896)	81,649,688
Closing balance - 31 December	34,170,898	(3,181,430)	30,989,468
Calculated discount amount according to winning ratio	(2,026,848)	146,946	(1,879,902)
Claims incurred but not reported	9,208,350	(860,474)	8,347,876
Total	41,352,400	(3,894,958)	37,457,442

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

Outstanding Claims Provision Movement Table (Continued):

	2016		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	23,173,714	(2,004,732)	21,168,982
Paid Claims	(61,986,173)	6,100,087	(55,886,086)
Change	76,133,271	(8,767,427)	67,365,844
Closing balance - 31 December	37,320,812	(4,672,072)	32,648,740
Calculated discount amount according to winning ratio	(1,697,706)	109,257	(1,588,449)
Claims incurred but not reported	6,527,621	(370,882)	6,156,739
Total	42,150,727	(4,933,697)	37,217,030

Unearned Premium Reserve Movement Table

	2017					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	58,116,388	(6,380,965)	51,735,423	14,432,480	(261,974)	14,170,506
Change	(5,208,225)	605,512	(4,602,713)	8,375,269	(1,365,791)	7,009,478
Closing balance - 31 December	52,908,163	(5,775,453)	47,132,710	22,807,749	(1,627,765)	21,179,984

	2016					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	49,889,733	(4,462,715)	45,427,018	19,747,428	(537,174)	19,210,254
Change	8,226,655	(1,918,250)	6,308,405	(5,314,948)	275,200	(5,039,748)
Closing balance - 31 December	58,116,388	(6,380,965)	51,735,423	14,432,480	(261,974)	14,170,506

Equalisation Reserve:

	2017					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	12,464,225	(273,979)	12,190,246	201,012	(3,884)	197,128
Change	4,891,162	(141,677)	4,749,485	160,579	(4,185)	156,394
Closing balance - 31 December	17,355,387	(415,656)	16,939,731	361,591	(8,069)	353,522

Unearned Premium Reserve Movement Table

	2016					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	9,820,308	(189,908)	9,630,400	101,781	-	101,781
Change	2,643,917	(84,071)	2,559,846	99,231	(3,884)	95,347
Closing balance - 31 December	12,464,225	(273,979)	12,190,246	201,012	(3,884)	197,128

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

Mathematical Reserves:

	2017					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	91,125,377	-	91,125,377	1,622,663	-	1,622,663
Change	60,905,624	-	60,905,624	557,952	-	557,952
Closing balance - 31 December	152,031,001	-	152,031,001	2,180,615	-	2,180,615

	2016					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reasürans Payı	Net
Opening balance - 1 January	74,278,251	-	74,278,251	1,416,564	-	1,416,564
Change	16,847,126	-	16,847,126	206,099	-	206,099
Closing balance - 31 December	91,125,377	-	91,125,377	1,622,663	-	1,622,663

Bonus Discounts Movement Table

	2017					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reasürans Payı	Net
Opening balance - 1 January	317,427	-	317,427	-	-	-
Change	(317,427)	-	(317,427)	-	-	-
Closing balance - 31 December	-	-	-	-	-	-

	2016					
	Life			Non-life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - 1 January	-	-	-	-	-	-
Change	317,427	-	317,427	-	-	-
Closing balance - 31 December	317,427	-	317,427	-	-	-

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18. Investment Contract Liabilities

None (31 December 2016: None).

19. Trade and Other Payables, Deferred Income

	31 December 2017	31 December 2016
Payables from pension operations	813,227,796	684,199,264
Payables to intermediaries and policyholders	13,777,406	14,665,886
Due to related parties	541,826	814,973
Deferred commission income	1,907,493	964,782
Due to personnel	95,012	153,486
Other payables (*) (Note 47.1)	3,667,545	2,024,469
Expense accruals (*)	1,448,552	823,759
Total	834,665,630	703,646,619

(*) As of 31 December 2017, TRY 1,179,188 which is amount of Finansbank campaign expenses and TRY 51,757 which is amount of IBTech rights purchasing expenses, consists expense accruals. As of 31 December 2016, TRY 426,708 which is amount of campaign expenses consists expense accruals.

20. Borrowings

None (31 December 2016: None).

21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising due to measurement in the financial statements and measurement in accordance with Tax Law.

Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The rates applied for deferred tax assets and liabilities calculated over temporary differences that will occur in the future periods are classified as 20% and 22% on the basis of expected realization periods of tax assets and liabilities in accordance with the related legislation (2016: %20). Rates determined %22 for provision for bonus, tangible and intangible fixed assets book value TPL difference and expense accruals and determined %20 for the other items. The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 20% (2016: 20%).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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21. Deferred Income Tax (Continued):

As of 31 December 2017 and 2016, the details of the temporary differences, deferred income tax assets and liabilities calculated using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred income tax assets				
Equalization reserve	17,293,253	12,387,374	3,458,651	2,477,475
Provision for employment termination benefits	3,801,989	2,283,844	760,398	456,769
Provision for bonus	7,050,000	3,945,916	1,551,000	789,183
Provision for accumulated leave	1,553,141	1,184,605	310,628	236,921
Provision for lawsuit	1,744,195	1,112,917	348,839	222,583
Bonus and Rebate Provisions	-	317,427	-	63,485
Renewal Premium provision	327,485	-	65,497	-
Provision for doubtful receivables	49,266	50,896	9,853	10,179
Other	1,448,552	823,759	318,681	164,752
Total	33,267,881	22,106,738	6,823,547	4,421,347
Deferred income tax liabilities				
Receivable-payable rediscount	(140,438)	(208,458)	(28,088)	(41,692)
Tangible and intangible fixed assets book value TPL difference	(6,323,818)	(4,055,302)	(1,391,240)	(811,060)
Deferred acquisition costs of sales	-	(299,480)	-	(59,896)
Total	(6,464,256)	(4,563,240)	(1,419,328)	(912,648)
Net deferred income tax assets (Note 35)	26,803,625	17,543,498	5,404,219	3,508,699

The movement in the deferred income tax assets in the current year is as follow:

	2017	2016
Opening balance - 1 January	3,508,699	2,715,783
Deferred tax income (Note 35)	1,776,681	847,818
Actuarial loss deferred income tax effect	118,839	(54,902)
Closing balance - 31 December	5,404,219	3,508,699

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22. Retirement Benefit Obligations

	31 December 2017	31 December 2016
Provision for employment termination benefits	3,801,989	2,283,844
Total	3,801,989	2,283,844

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the changes made on 23 May 2002 in the legislation, some process of transition clauses related to the length of service before retirement have been omitted.

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 as of 31 December 2017 (31 December 2016: TRY 4,297.21).

The provision for employment termination benefits liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2017	31 December 2016
Discount rate (%)	11.57%	11.80%
Inflation (%)	8.90%	8.00%

Turnover rate to estimate the probability of retirement based on years of service are as follows:

	31 December 2017	31 December 2016
0-2 service years (%)	85.00	85.00
0-2 service years (%)	90.00	90.00
5-10 service years (%)	96.00	96.00
10-15 service years (%)	99.00	99.00
15 over service years (%)		

The movement in the provision for employment termination benefits in the current period is as follows:

Provision for employment termination benefits

	2017	2016
Opening balance - 1 January	2,283,844	1,951,992
Service cost	1,415,366	1,223,357
Interest cost	276,817	208,671
Paid during the period (Note 33)	(996,761)	(825,666)
Actuarial (gain)/loss	822,723	(274,510)
Closing balance - 31 December	3,801,989	2,283,844

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23. Provisions for Other Liabilities and Charges

Commitments and contingent liabilities not recognized as liabilities are disclosed in Note 43. Guarantees and pledges received are disclosed in Note 2.3.

The details of provisions that are classified under provisions for expense accruals in balance sheet are as follows:

	31 December 2017	31 December 2016
Provision for bonus	7,050,000	3,945,916
Provision for leave	1,553,141	1,184,605
Provision for lawsuit	1,744,195	1,112,917
Other	256,096	65,030
Total	10,603,432	6,308,468

24. Net Insurance Premium Revenue

	1 January - 31 December 2017			1 January - 31 December 2016		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Life	438,349,118	(12,379,125)	425,969,993	273,820,543	(11,396,802)	262,423,741
Personal Accident	44,120,394	(2,483,425)	41,636,969	27,996,878	(688,629)	27,308,249
Total premium revenue	482,469,512	(14,862,550)	467,606,962	301,817,421	(12,085,431)	289,731,990

25. Fee (Contribution) Income

The details of pension branch income for the period ended 31 December 2017 and 2016 is as follow:

	1 January 31 December 2017	1 January 31 December 2016
Fund management expense charge	9,164,888	7,863,152
Entrance fee	5,376,050	5,965,098
Management expense charge	2,938,214	2,616,049
Total	17,479,152	16,444,299

26. Investment Income

The details of the investment income are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cash and Cash Equivalents		
Interest income	36,086,939	24,521,184
Total	36,086,939	24,521,184

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27. Net Income Accrual on Financial Assets

Information about income accrual on available-for-sale financial assets is disclosed in Note 26.

28. Net Fair Value Gains on Assets at Fair Value Through Income

Disclosed in Notes 2,8,11 and 26.

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Agreement Benefits

None (31 December 2016: None).

31. Other necessary expenses

Operating expenses classified under technical part

	1 January - 31 December 2017	1 January - 31 December 2016
- Life	251,917,946	167,943,107
- Pension	17,081,882	16,163,679
- Non-life	11,632,103	14,216,128
Total (Note: 32) (*)	280,631,931	198,322,914

Operating expenses classified under non-technical part.

	1 January - 31 December 2017	1 January - 31 December 2016
- Depreciation expenses	8,719,609	6,607,744
Total (Note: 32)	8,719,609	6,607,744

32. Expenses by Nature

	1 January - 31 December 2017	1 January - 31 December 2016
Production expenses	183,801,537	112,423,506
Personnel expenses (Note 33)	67,922,064	59,051,257
Administration expenses	17,692,980	17,873,814
Depreciation expenses	8,719,609	6,607,744
Outsourced services expenses	6,321,097	3,492,211
Marketing and sales expenses	6,100,831	5,522,768
Reinsurance commission income (-)	(3,714,142)	(2,312,040)
Other	2,507,564	2,271,398
Total (Note: 31)	289,351,540	204,930,658

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33. Employee Benefit Expense

	1 January - 31 December 2017	1 January - 31 December 2016
Salary payments	34,920,601	30,836,264
Employee benefits	10,340,227	8,630,851
Success premium to sales force	8,766,245	8,194,105
Employer's share of social security premium	6,330,264	5,537,887
Education expenses	1,826,648	1,227,960
Bonuses	1,754,702	974,100
Transportation expense for personnel	1,237,444	1,280,700
Employment termination benefit payments	996,761	825,666
Employer's share of unemployment insurance	907,040	778,620
Termination Benefits	485,044	487,089
Unused vacation payments	357,088	278,015
Total (Note: 32)	67,922,064	59,051,257

Total amount of the salaries and the benefits provided to top management such as the chairman and the members of the board of directors, general manager, general coordinator, assistant general managers and other executive management in the current period are disclosed in Note 1.6.

34. Financial Costs**34.1 Total financial expenses for the period:**

34.1.1 Production cost related expenses: None (31 December 2016: None).

34.1.2 Expenses related to fixed assets: None (31 December 2016: None).

34.1.3 Direct expenses: None (31 December 2016: None).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately):

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

34.3 Sales to/purchases from shareholders, subsidiaries and investments (any amount exceeding 20% of total will be disclosed separately):

Related party transactions and balances are disclosed in Note 45 in details.

34.4 Interest, rent or other charges received from or paid to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately):

Related party transactions and balances are disclosed in Note 45 in details.

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35. Income Taxes

Tax income and expenses recognized in the statements of income for the years ended 31 December 2017 and 2016 are summarized below:

	31 December 2017	31 December 2016
Provision for tax (-)	(15,450,824)	(7,107,700)
Prepaid taxes	11,520,433	5,821,926
Total tax (liability)/asset, net	(3,930,391)	(1,285,774)
Current period tax expense (Note: 21)	6,823,547	4,421,347
Deferred tax income (Note 21)	(1,419,328)	(912,648)
Deferred tax asset, net (Note 21)	5,404,219	3,508,699

	31 December 2017	31 December 2016
Current period tax expense	(15,450,824)	(7,107,700)
Deferred tax income	1,776,681	847,818
Total tax expenses	(13,674,143)	(6,259,882)

Actual tax expense reconciliation is as follow:

	1 January - 31 December 2017	1 January - 31 December 2016
Deferred tax and corporate tax before profit	68,812,855	31,180,443
Tax rate	%20	%20
Calculated tax expense (-)	(13,762,571)	(6,236,089)
The effect of non-deductible expenses	(203,735)	(87,733)
Other	292,163	63,940
Total tax expenses	(13,674,143)	(6,259,882)

36. Net Foreign Exchange Gains

	1 January - 31 December 2017	1 January - 31 December 2016
Current accounts	5,731	(233,825)
Total	5,731	(233,825)

37. Earnings per Share

Loss per share is calculated by dividing the Company's net loss in the reporting period to the Company's number of shares in the reporting period.

	1 January - 31 December 2017	1 January - 31 December 2016
Net profit for the year (+)	55,138,712	24,920,561
Per TRY 1 weighted average number of shares outstanding	45,000,000	45,000,000
Gain per share (TRY) (+)	1,23	0,55

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38. Dividends per Share

With the decision of Company's Ordinary General Assembly Meeting on 31 May 2016, gross profit amounting TRY 14,370,967 belong to 2015 period have been paid in cash gross value of TRY 0,227 that share with face value of TRY1 per share to shareholders on 1 June 2016 after leaving TRY 2,633,428 in the company due to legal regulations and the Company accounted legal reserves is amounting to TRY 1,515,729 (2015: with the decision of Company's Ordinary General Assembly Meeting on 24 March 2015, gross profit amounting to TRY23,692,009 belong to 2014 have been paid in cash gross value of TRY 0,526 that share with face value of TRY 1 per share to shareholders on 13 April 2015. the Company accounted legal reserves is amounting to TRY 3,504,001).

39. Cash Generated from Operations: Disclosed in cash flow statement.

40. Convertible Bonds: None (31 December 2016: None).

41. Cash Convertible Preferred Shares: None (31 December 2016: None).

42. Contingencies

	31 December 2017	31 December 2016
Claim litigations against the Company - gross	13,715,026	11,449,468
Labour litigations against the Company (Note 23)	1,744,195	1,112,917
Total	15,459,221	12,562,385

The provision for the aforementioned litigations against the Company is accounted for in outstanding claim provisions in the financial statements.

43. Commitments

The details of the given guarantees which are in currency TRY are as follows:

	31 December 2017		
	US Dollar	TRY	Total
Domestic given bank guarantee letters	911,548	1,677,874	2,589,422
Total	911,548	1,677,874	2,589,422

	31 December 2016		
	US Dollar	TRY	Total
Domestic given bank guarantee letters	850,478	1,394,254	2,244,732
Total	850,478	1,394,254	2,244,732

As of 31 December 2017 the Company does not have any contractual commitment to acquire tangible and intangible asset (31 December 2016: None).

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43. Commitments (Continued)

Total amount of mortgages or restrictions on assets:

	31 December 2017	31 December 2016
Banks deposits (Notes: 14 and 17.1) (*)	161,965,328	110,525,164
Total	161,965,328	110,525,164

(*) Bank deposit accounts which are showed as collateral covers TRY6,824,823 interest accrual. (31 December 2016: TRY3,475,125).

Long term operating lease expense of company includes rents of general management Office, region Office, fleet, printer and store. Cost of leasing's are, USD2,347,811, TRY84,663, EUR 395,491, and EUR5.607, respectively (31 December 2016: USD3,588,046, TRY74,541, EUR 747,443, EUR 3,125 and TRY 7,950).

44. Business Combinations

None (31 December 2016: None).

45 Related Party Transactions

Cigna Nederland Gamma B.V companies, Finansbank A.Ş. companies and senior management of the Company are defined as related parties in terms of financial statements.

Top management as chairman and member of the Board of Directors, chief executive, general coordinator, deputy managers benefits from wage and other benefits in current period are disclosed under Note 1.6.

a)	Bank deposits	31 December 2017	31 December 2016
	Finans Portföy Yönetimi A.Ş.	129,459,724	96,024,570
	QNB Finansbank A.Ş.	7,284,820	4,515,362
	Total	136,744,544	100,539,932
b)	Receivables from other related parties and insurance operations	31 December 2017	31 December 2016
	IBTech A.Ş.	29,604	-
	Finans Portföy A.Ş.	2,839	-
	Finans Faktoring A.Ş.	90	-
	Total	32,533	-
c)	Payables from insurance operations	31 December 2017	31 December 2016
	QNB Finansbank A.Ş.	13,663,806	14,943,991
	Cigna Global Reinsurance	517,407	323,865
	Finans Portföy Yönetimi A.Ş.	1,067	207,424
	Finans Yatırım Menkul Değerler A.Ş.	39	29
	Finans Faktoring A.Ş.	-	213
	Total	14,182,319	15,475,522

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45. Related Party Transactions (Continued)

d)	Payables from other operations	31 December 2017	31 December 2016
	Finans Portföy Yönetimi A.Ş.	188,902	-
	Ibtech A.Ş.	125,232	84,419
	Cigna Global Holdings Incorporation	117,511	19,309
	Cigna New Zealand	70,791	61,204
	Finans Yatırım Menkul Değerler A.Ş.	38,940	-
	Cigna HLA Technology Services Company Limited	450	962
	Cigna Life Insurance Company of Canada	-	50,090
	QNB Finansbank A.Ş.	-	598,989
	Total	541,826	814,973
e)	Interest income	31 December 2017	31 December 2016
	Cigna International Corporation	-	77,394
	Total	-	77,394
f)	Bonus Discount Provision	31 December 2017	31 December 2016
	QNB Finansbank A.Ş.	-	184,520
	Ibtech A.Ş.	-	19,538
	Finans Yatırım Menkul Değerler A.Ş.	-	7,630
	Finans Finansal Kiralama A.Ş.	-	4,175
	Finans Faktoring A.Ş.	-	4,157
	Finans Portföy Yönetimi A.Ş.	-	1,301
	Total	-	221,321
g)	Renewal Premium Provisions	31 December 2017	31 December 2016
	QNB Finansbank A.Ş.	296,247	-
	Ibtech A.Ş.	20,427	-
	Finans Faktoring A.Ş.	5,137	-
	Finans Finansal Kiralama A.Ş.	4,513	-
	Finans Portföy Yönetimi A.Ş.	1,161	-
	Total	327,485	-
h)	Incured Renewal Premium Provisions	31 December 2017	31 December 2016
	QNB Finansbank A.Ş.	244,813	-
	Ibtech A.Ş.	23,218	-
	Finans Faktoring A.Ş.	5,028	-
	Finans Yatırım Menkul Değerler A.Ş.	9,059	-
	Finans Finansal Kiralama A.Ş.	5,001	-
	Finans Portföy Yönetimi A.Ş.	1,555	-
	Total	288,674	-

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45. Related Party Transactions (Continued)

	1 January - 31 December 2017	1 January- 31 December 2016
i) Rent Income		
Cigna Turkey Danışmanlık Hizmetleri Ltd.	16,169	16,356
Total	16,169	16,356
j) Interest income		
Finans Portföy Yönetimi A.Ş.	12,218,219	8,984,393
QNB Finansbank A.Ş.	334,829	317,462
Total	12,553,048	9,301,855
k) Rent Expenses		
QNB Finansbank A.Ş.	514,887	226,534
Total	514,887	226,534
l) Commission expenses		
QNB Finansbank A.Ş.	(183,798,985)	(112,423,506)
Finans Finansal Kiralama A.Ş.	(2,552)	-
Total	(183,801,537)	(112,423,506)
m) Direct Premium Income		
QNB Finansbank A.Ş.	448,645,708	255,421,670
Finans Finansal Kiralama A.Ş.	5,935	-
Total	448,651,643	255,421,670
n) Reinsurance expenses		
Cigna Global Reinsurance	(650,383)	(563,918)
Total	(650,383)	(563,918)

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45. Related Party Transactions (Continued)

	1 January - 31 December 2017	1 January- 31 December 2016
o) Operating expenses		
QNB Finansbank A.Ş.	(2,261,924)	(2,932,629)
Finans Portföy Yönetimi A.Ş.	(2,095,918)	(1,759,986)
Cigna Life Canada	(1,084,859)	(1,132,810)
Cigna New Zeland	(961,565)	(894,308)
Cigna Global Holdings Incorporation	(642,607)	(675,825)
Finans Yatırım Menkul Değerler A.Ş.	(474,626)	(324,000)
Cigna International Corporation.Ş.	(422,783)	(331,442)
Ibtech A.Ş.	(133,334)	(122,880)
eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	(15,045)	(9,878)
Cigna HLA Technology Services.	(10,106)	(8,682)
Total	(8,102,767)	(8,192,440)
p) Premium received		
QNB Finansbank A.Ş.	1,345,264	1,076,529
Ibtech A.Ş.	52,822	50,151
Finans Yatırım Menkul Değerler A.Ş.	19,614	21,039
Finans Faktoring A.Ş.	14,357	12,127
Finans Finansal Kiralama A.Ş.	12,037	11,189
Finans Portföy Yönetimi A.Ş.	3,760	4,213
Total	1,447,854	1,175,248

45.1 Doubtful receivables from shareholders, associates and subsidiaries:

None (31 December 2016: None).

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report:

31 December 2017						
	%	Book Value	Financial Statement Period	Total Asset	Total Liabilities	Net gain/loss
EGM (*)	5.26	391,100	31 December 2017	11,247,865	3,375,435	12,950,738
31 December 2016						
	%	Book Value	Financial Statement Period	Total Asset	Total Liabilities	Net gain/loss
EGM (*)	5.26	362,019	31 December 2016	13,833,551	6,538,070	10,416,162

(*) The relevant financial asset does not have any identified price in big-board market and there are not any valuation work for the relevant Company, financial asset is carried at cost price.

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45. Related Party Transactions (Continued)

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries:
None (31 December 2016: None).

45.4 Rights on immovable and their value:
None (31 December 2016: None).

45.5 Total amount of guarantees, commitments and securities given in favour of shareholders, subsidiaries and investments:
None (31 December 2016: None).

46. Events Occurred After the Balance Sheet Date

About the regulation entered into force on January 1, 2017 on the Private Pension System; changes according to regulation number of 22/B are explained in notes 2.14.

47. Other

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

	31 December 2017	31 December 2016
a) Other prepaid expenses		
Catastrophic excess of loss	262,132	194,710
Maintenance Expenses	74,755	262,475
Subscription expenses	52,221	42,471
Insurance expenses	23,277	26,425
Education Expenses	1,437	6,609
Deferred Production Expenses	-	299,480
Assistance Expenses	-	246,917
Total	413,822	1,079,087
b) Other payables		
Payables to suppliers	3,685,468	2,034,181
Other payables rediscount	(17,923)	(9,712)
Total	3,667,545	2,024,469
c) Other technical reserves		
Equalization reserve	17,620,738	12,387,374
Refreshment Premium Allowance	327,485	-
Total	17,948,223	12,387,374
d) Other short-term liabilities		
Bonus provision	7,050,000	3,945,916
Vacation provision	1,553,141	1,184,605
Provision for lawsuit	1,744,195	1,112,917
Other	256,096	65,030
Total	10,603,432	6,308,468

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

47. Other (Continued)

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets:
None (31 December 2016: None).

47.3 Claim recovery receivables followed under off-balance sheet items:
None (31 December 2016: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses:
None (1 January - 31 December 2016: None).

47.5 Other information required by Treasury to be presented:

Provision and rediscount (expenses)/income for the period:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision for bonus	7,050,000	3,945,916
Provision for employment termination benefit	923,947	606,362
Provision for lawsuit	631,278	609,024
Provision expense of unused vacation	368,536	292,319
Rediscount income/expenses	(1,628)	(75)
Provision for doubtful receivables	(178,561)	63,585
Total	8,793,572	5,517,131

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş. APPENDIX I - CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

Note	Current Period	Previous Period
I. DISTRIBUTION OF PROFIT FOR THE PERIOD	-	-
1.1. PROFIT FOR THE PERIOD	70,589,536	32,028,261
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	(15,450,824)	(7,107,700)
1.2.1. Corporate Tax (Income Tax)	(15,450,824)	(7,107,700)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Legal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	55,138,712	24,920,561
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVE	-	(1,246,028)
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)	-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	55,138,712	23,674,533
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	(2,250,000)
1.6.1. To common shareholders	-	(2,250,000)
1.6.2. To preferred shareholders	-	-
1.6.3. To owners of participating redeemed shares	-	-
1.6.4. To owners of profit-sharing securities	-	-
1.6.5. To owners of profit and loss sharing securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	(17,326,908)
1.10.1. To common shareholders	-	(17,326,908)
1.10.2. To preferred shareholders	-	-
1.10.3. To owners of participating redeemed shares	-	-
1.10.4. To owners of profit-sharing securities	-	-
1.10.5. To owners of profit and loss sharing securities	-	-
1.11. SECOND LEGAL RESERVE (-)	-	(1,732,692)
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECOND LEGAL RESERVE (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To common shareholders	-	-
2.3.2. To preferred shareholders	-	-
2.3.3. To owners of participating redeemed shares	-	-
2.3.4. To owners of profit-sharing securities	-	-
2.3.5. To owners of profit and loss sharing securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III. PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	0,554
3.2. TO COMMON SHAREHOLDERS (%)	-	55.38%
3.3. TO PREFERRED SHAREHOLDERS	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	0,435
4.2. TO COMMON SHAREHOLDERS (%)	-	43.50%
4.3. TO PREFERRED SHAREHOLDERS	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

Since profit distribution proposal for the year 2017 has not been prepared by the Board of Directors in order to be presented for an approval at the General Assembly, only the distributable profit has been stated on the statement of profit distribution of 2017.

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş. EVALUATION OF FINANCIAL STATUS, PROFITABILITY AND ABILITY TO PAY COMPENSATION

Evaluation of Financial Status, Profitability and Ability to Pay Compensation

Evaluation of Financial Status and Profitability

Size of the assets of our company has reached TL 1 billion 254 million with an increase by 24% in 2017.

When the items that form the company assets are examined in terms of size, it is seen that the item of Due from Insurance Operations has reached to TL 847.5 Million with an increase by 17.5%. Share of Receivables from Insurance Operations in total assets has been recorded as 67.6%. Sum of Current Assets has reached to TL 430.0 Million with an increase by 33.1%.

22.1% of the liabilities in our company's balance sheet is comprised of Insurance Technical Reserves while 66.0% is comprised of Due to Insurance Operations Sum of Equity of our company has been recorded as TL 119.9 Million.

According to the rules set by Turkish Prime Ministry Undersecretariat of Treasury, minimum amount of Equities required for our Company as of 31/12/2017 has been calculated as TL 55.9 Million and our Equities has been recorded as TL 137.2 Million including equalization reserves.

Specific ratios related to financial status of our Company as of 31/12/2017 are given below.

	Current Period	Previous Period
1. Written Premiums (Gross) / Equity	402.25%	355.68%
2. Receivables from Premiums / Equity	32.38%	51.85%
3. Technical Reserves (Net) / Equity	231.45%	245.80%
4. Profit Before Tax / Written Premiums (Gross)	14.63%	10.61%
5. Profit Before Tax / Equity	58.85%	37.74%
6. Technical Profit - Life/Written Premiums (Gross) - Life	7.26%	0.62%

Evaluation of Ability to Pay Compensation

Evaluation of Ability to Pay Compensation

The following table shows Net Loss/Premium ratios for the year 2017 as calculated by taking life insurances of the company into account;

Loss/Premium Ratio (NET)	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Life	23%	23%	25%	23%

Information About Risk Management Policies Applied for Each Type of Risk (Continued)

Financial Risks

The goal of the company in capital management is to ensure sustainability as a revenue-generating business, to protect interests of shareholders and corporate partners, and to ensure sustainability of the most effective capital structure in order to reduce capital costs.

The company is exposed to market risks (foreign exchange risk, interest rate risk, price risk), Liquidity risks and credit risks due to financial assets and liabilities. Risk management program of the company generally focuses on minimizing the potential adverse impacts of the uncertainty in financial markets on the financial performance of the Company. The company is usually exposed to interest rate and price risks due to financial investments; credit risks due to insurance receivables; and foreign exchange risks due to assets and liabilities indexed to foreign exchange.

Risks that the company may encounter in connection with its fields of activity, and measures and actions taken for the management of these risks are given below.

Market Risk

This is the risk of financial losses for the Company due to fluctuations in market interest rates, real estate prices or foreign exchange rates. The Company does not have any securities as of the date of balance sheet.

Credit Risk

The risk is the inability of a debtor of the Company to fulfill its liabilities in due time.

The Company monitors and limits the credit risks associated with its financial assets (categorized as credits and receivables) and its receivables arising from insurance activities (including receivables from reinsurance) by implementing procedures in the selection of sureties to be received and counterparties.

Financial assets of the Company that are other than credit and receivables category and are subjected to credit risk generally represent deposit accounts and current accounts held in banks and other financial institutions based in Turkey, and these receivables are not considered as having high credit risk. The Company does not have any securities as of the date of balance sheet.

Liquidity Risk

The risk that the Company lacks funds necessary to fulfill its financial liabilities on time without any loss.

Furthermore, a significant decline is observed in transaction volumes in public domestic borrowing instruments market at times of very high fluctuation in interest rates due to economic and political uncertainties. This shows that the Company may be exposed to Liquidity risk.

Cash flow and portfolio studies are conducted on a monthly basis and existence of any forward risks are assessed in budget estimations revised 3 times a year for the purpose of ensuring the Company fulfills its commitments, particularly those for compensation payments; determining the Liquidity level; managing Liquidity risk; conducting the mentioned risk analyses; and determining the investment preferences. Furthermore, the Company obtains market status information from the Finance Portfolio, the manager of pension investment funds of the Company.

2017 risk evaluations indicate no risks which exceed the risk appetite specified by the Company.

Information About Risk Management Policies Applied for Each Type of Risk (Continued)

Legal Risks

Legal and Compliance Department carries out regular studies in order to eliminate the risk of negative impacts of new or amended regulations and court order on the Company's activities and reputation.

One of the most critical duties of Legal and Compliance Department in 2017 has been monitoring the regulations that govern the field of activity of the Company, reviewing amendments to such regulations and timely informing the Company management and employees on the implementation of liabilities arising from them. Legal and Compliance Department of our Company has played an active role in minimizing the regulatory risks by holding Regulation Committee meetings for regulatory reviews and briefings, and by providing employees with training whenever necessary for the purpose of supporting the Company in adopting to the regulatory amendments.

Legal and Compliance Department also works jointly with the Compliance Officer in taking the necessary measures and making the necessary notifications within the scope of national and international regulations regarding prevention of laundering of criminal revenues and financing of terrorism.

Strategy Risks

The risk of failure to implement business plans and strategies required for the Company to adopt to changes in business conditions in its field of activity. Some of the important risk factors that may be defined as strategic risks for the Company are stated below.

Changes in customer trends apart from company's goals,
Capability to create new customers and/or provide the right products,
Competition threats in the industry,
Economic and political changes,
Impacts of new technologies,
New distribution methods,
Changes in regulations
Detecting the right resources

Any developments in these circumstances and the lack of ensuring compliance with these changes may lead to deviation from the set and planned goals of the Company. In order to prevent the Company from being negatively impacted from these risks, Management Committee and all other concerning committees of the Company closely follow up the developments and take necessary actions accordingly.

Profit Distribution Policy

Dividends payable are included in the financial tables as a liability when they are declared as a component of profit distribution. Profit distribution at the Company before 2016 was made over the amount remaining after the reserves calculated as per the Turkish Accounting Standards as specified in the articles of association are reduced from the earnings after taxes as per TCC Article 519 and other regulations and the capital specified by Group A1 and B1 is reached (excluding the changes made as per Article 6). The agreement between the shareholders of the Company was revised and signed again on January 6, 2017. Profit distribution at the Company in 2016 is to be made over the amount remaining after the reserves calculated as per the Turkish Accounting Standards are reduced from the earnings after taxes as per TCC Article 519 and other regulations and the remaining amount will be shared among the shareholders.

100% of the Distributable Profit is distributed every year. Any decisions contrary to this may be made only upon approval of 100% of shareholders. General Assembly may decide to distribute profits to Group A1 and B1 shareholders over separate percentages. Article 509 of the Turkish Commercial Code is reserved.

Information About Risk Management Policies Applied for Each Type of Risk (Continued)**Technical Risks (Continued)***Insurance Risks and Insurance Risk Management Process*

Insurance risk is the possibility that premiums paid by the insurant cannot meet the compensation to be paid in the case the covered event takes place.

The coincidental and unpredictable nature of risk makes risk assessment even more important. A Risk Acceptance Guideline has been issued for the purpose of establishing an effective risk assessment policy with regards to insurance risks of the Company, and insurance risk assessment activities of the Company have been implemented accordingly. Terms of Risk Acceptance Guideline are reviewed annually in line with the company needs and the structure of changing life insurance portfolio.

All medical risk assessment activities have been carried out in-house in 2017 under the agreement for providing an effective and professional service in risk assessment activities regarding insurance applications and compensation claims. The organization process was implemented by Branch Office Sales Management Platform Assistant, and medical opinions were provided by our consulting doctor at Technical and Actuary Group. We have obtained services from Compu Group Medical Bilgi Sistemleri A.Ş. for the contracted hospital network in 2017.

Risk assessment process of our Company utilizes internationally accepted and implemented insurance risk assessment tools. In the assessment of medical, personal and financial technical risks, the numeric risk assessment results obtained from the web based insurance risk assessment tool, MIRA (Munich Re Internet Risk Assessor), of Munich Re, the Leader reinsurer in our reinsurance program, is used for controls.

Our Risk Acceptance Guideline is reviewed annually in line with the changing coverage, customer and sales channel needs of our portfolio, and revised when necessary in order to enable the Company to maintain its profitability and implement an effective risk assessment process. In addition to this assessment, our consulting doctor at Technical and Actuary Group carries out in-house medical risk assessment process. Furthermore, the insurant candidates are subjected to personal (occupation, hobbies, lifestyle, geographical residence and moral risk) and financial risk assessments through our Technical and Actuary Group of our company.

Medical Risk Assessment

During assessment of insurance applications made to our Company; insurant candidates that claim assurance over amounts indicated in Risk Acceptance Regulation according to life insurance assurance amounts claimed in the first phase are requested to use specific check-up sets in contractual health institutions and therefore, information is gained about health status of insurant candidates. Our consulting doctor at Technical and Actuary Group of the Company is responsible for reviewing these medical results and submitting a medical opinion to the Company. Life insurance applications that belong to insurant candidates whose mortality risk is found to have increased to a certain level as a result of insurance risk assessment that involves medical risk and that is performed according to numerical risk grading method are declined.

Personal (in terms of Lifestyle, Occupation, Morale and Hobbies) Risk Assessment

The second phase of our insurance risk assessment process involves gathering of information about gender, lifestyle, geographical place of residence and occupation from the insurant candidates are analyzed and assessed by using current insurance risk assessment tools and if required, risks are re-assessed by requesting additional information and documents from insurant candidates.

Information About Risk Management Policies Applied for Each Type of Risk (Continued)**Technical Risks (Continued)***Financial Risk Assessment*

In the third phase, it is examined if the amount of life insurance coverage claimed by customers match the annual income of the potential insurant and/or credit amounts requested from the Bank. Since the Company's portfolio comprises mainly of life insurance products associated with bank risks, in this phase it is examined if the amounts of insurance coverage match the credits given by the Bank. The fact that the first financial analysis in credit life insurances is performed by the bank and provision of the credit is an important criteria for our Company in terms of financial risk assessment. In this phase, candidates are requested to provide a financial statement, a copy of credit contract, information and documents that indicate income status of the candidate as stated in Risk Acceptance Guideline.

In relation with a contract; the Company uploads the table that indicates amount of provided assurance, the amount transferred to reinsurer, the amount of net risk on the company, reinsurers to whom premiums have been transferred and international credit ratings of those reinsurers as well as including reasons for taking that risk in addition to information above in relation with risks over 10% of proprietary capital and whose content is determined by undersecretariat to the portal of Turkish Prime Ministry Undersecretariat of Treasury in relation with risks kept above over 5% of proprietary capital within one month after assurance is provided.

Auditing of insurance risk aims at ensuring that operations of all departments of the Company comply with legal regulations, Company strategies and policies, and codes of practice in accordance with the actuary principles of the Company.

Insurance risk auditing process consists of such phases that involve in providing information to the Company's top management and Board of Directors on:

- Effectiveness of risk management process,
- Compliance with the written processes,
- Compliance with the determined limits,
- The extent that data and reports produced reflects the actual status,

and providing recommendations on measures to be taken and changes to be made in practice.

Management Process of Risks related with Reinsurance Companies

Reassurance work is conducted by the Company over death risk or risks assured by additional coverage (death as a result of accident, disability as a result of disease, disability as a result of accident, dangerous diseases, unemployment assurance, bankruptcy coverage, etc.). For the life insurance tariffs with a risk element, a maximum reserve share (conservation) amount is determined for death and additional coverage through actuary calculations each year. A portion of the risk that does not exceed this amount is reserved by the Company and the portion above this is transferred to reinsurance companies with which we cooperate under shared reinsurance agreements (surplus and quote-share reinsurance agreements). Furthermore, a portion of the risks determined for financier loan accident products is transferred to the reinsurer under non-proportional excess of loss agreement in 2015.

In order to maintain conservation as a result of natural disasters such as earthquake and flood or traffic accidents in mass transportation or terrorist attacks, the Company makes a non-proportional catastrophic excess of loss (XL) reinsurance contract with the most appropriate method for the portfolio structure.

Acting in mutual agreement with its contractual reinsurers in Life and Accident insurance branches, the Company carries out its reinsurance transactions under appropriate risk assessment conditions and reinsurance capacity.

Information About Risk Management Policies Applied for Each Type of Risk (Continued)

Technical Risks (Continued)

Results of the reinsurance activities of the Company in life and accident branches as of the end of December 2017 are given below:

	1 January-31 December 2017
Reassurance Results in Life Branch	
Transferred Premium	12,379,125
Commission Received	3,580,076
Reinsurer Share in Check Up Expenses	26,357
Reinsurer's Share in Compensation	11,568,538
Total	2,795,846
1 January-31 December 2017	
Reassurance Results in Accident Branch	
Transferred Premium	2,483,425
Commission Received	918,779
Reinsurer's Share in Compensation	0
Total	1,564,646

The following selection criteria is used for ensuring a reliable and high-standard service during selection of reinsurers within the reinsurance program of the Company and its relationships with the reinsurers, and ensuring that reinsurers fulfill their obligations.

1. Companies with which reinsurance contract will be signed must be based in politically and economically safe regions far from conditions such as war, civil disorder, revolt and uprising,
2. Financial strength and credit ratings given by international credit rating institutions,
3. Long-term approach to business relationships,
4. Competitive reinsurance premium prices,
5. Allocation of capacity in facultative works and non-proportional (catastrophic) reinsurance contracts,
6. Allocation of facilities to the Company in terms of risk assessment, information on new developments in the industry, product development, training, etc.

Reinsurance transaction management policy of our Company is based on business relationships established with steady and financially reliable reinsurance companies. Reinsurance contracts signed with reinsurance companies are made by taking the financial status of the company into account depending on market conditions and developments in industry.

As a result of steady and consistent pricing and risk acceptance policies implemented by the Company, risk assessment conditions and procedures agreed upon with treaty reinsurers allow automatic insurance of high-amount coverages, which are very higher than market averages.

Ranges of our valid life insurances according to coverage amounts and distribution of reinsurance in these ranges are shown in the following table:

Information About Risk Management Policies Applied for Each Type of Risk (Continued)

Technical Risks (Continued)

Total Number of Policies/Certificates and Reinsurance Distribution Based on Death Coverage Amount Ranges (31/12/2017):

Coverage Range (TL)	Coverage Quantity as of 31/12/2017	Coverage Amount as of 31/12/2017	Total Coverage Distribution			
			Conservation	Excess	Quota Share	Facultative
1-5,000	1,250,377	2,498,359,509	2,465,760,068	32,599,441	0	0
5,001-10,000	388,746	2,929,930,174	2,884,429,546	45,500,629	0	0
10,001-25,000	405,298	6,358,470,470	6,073,098,480	285,371,990	0	0
25,001-50,000	142,880	5,260,353,037	4,884,435,683	375,917,353	0	0
50,001-100,000	58,389	4,466,923,614	3,886,211,167	580,712,447	0	0
100,001-500,000	44,086	8,460,586,749	4,797,298,707	3,663,288,042	0	0
500,001-1,000,000	686	459,995,279	138,436,911	321,558,368	0	0
1,000,001-5,000,000	39	77,335,052	13,583,352	63,751,700	0	0
5,000,001+	1	8,500,000		3,135,000	0	5,365,000
Total	2,290,502	30,520,453,883	25,143,253,915	5,371,834,968	0	5,365,000

Our Leading reinsurer in our reinsurance contracts in life insurance field is Munich Reinsurance company, the biggest reinsurer of the world based in Munich. Our second reinsurer in terms of share size in all our reinsurance contracts is Milli Reasürans TAŞ. based in Istanbul. We also have a reinsurance agreement with Axa Partners CLP for Bankruptcy Coverage.

Ratings of these reinsurers given by S&P and A.M. Best credit rating institutions are given below;

Reinsurer	S & P			A.M. Best		
	Rating	Outlook	Date	Rating	Definition	Date
Münich Re	AA (Çok Güçlü)	Durağan	06.07.2016	A+ (Güçlü)	Durağan	13.10.2017
AA (Very Strong)	A+ (Güçlü)	Durağan	27.10.2016	A+ (Güçlü)	Durağan	27.10.2016
Stationary	-	-	-	A	-	31.12.2015

It is seen that our contracted reinsurers are among those approved by the Undersecretariat of Treasury pursuant to "Regulations On Measurement and Assessment of the Capital Adequacy of Insurance, Reinsurance and Pension Companies".

Selection of reinsurers is based on balance sheet and income statement documenting that the reinsurer is being audited by legal auditing and inspection authorities and the results (ratings) of researches conducted by independent international rating institutions for determination of their financial strength. Selection of reinsurers is made by the top management in line with the recommendations of concerning executive unit.

Information about Research and Development Practices Regarding New Services and Activities

Our Company has undertaken projects that add value to both insureds and shareholders through many new products and services in 2017 as well. These products and services include the following:

1. Profit center for monitoring profit and loss based on product, production channel and region was implemented.
2. The limit insurance with a flexible assurance for corporate customers using blank credit with a specified limit from the bank is now available.

Summarized Financial Information for the Five Year Period including Report Period

Balance Sheet

ACCOUNT NAME	31/12/2017	31/12/2016	FARK (TL)	FARK (%)
A- CASH AND CASH EQUIVALENT ASSETS	356,833,871	245,111,081	111,722,790	45.58
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT INSURANTS' RISK	-	-	-	-
C- RECEIVABLES FROM MAIN OPERATIONS	48,153,151	54,507,955	(6,354,804)	(11.66)
D- DUE FROM RELATED PARTIES	-	77,394	(77,394)	(100.00)
E- OTHER RECEIVABLES	-	-	-	-
F- PREPAID EXPENSES AND INCOME ACCRUALS	25,059,551	23,423,959	1,635,592	6.98
G- OTHER CURRENT ASSETS	-	-	-	-
I- TOTAL CURRENT ASSETS	430,046,573	323,120,389	106,926,184	33.09
A- RECEIVABLES FROM MAIN OPERATIONS	799,391,368	667,067,636	132,323,732	19.84
B- DUE FROM RELATED PARTIES	-	-	-	-
C- OTHER RECEIVABLES	14,899	15,347	(448)	(2.92)
D- FINANCIAL ASSETS	391,100	362,019	29,081	8.03
E- TANGIBLE ASSETS	5,756,295	6,104,715	(348,420)	(5.71)
F- INTANGIBLE ASSETS	12,506,646	8,912,169	3,594,477	40.33
G- PREPAID EXPENSES AND INCOME ACCRUALS	-	-	-	-
H- OTHER NON-CURRENT ASSETS	5,404,219	3,508,699	1,895,520	54.02
II- TOTAL NON-CURRENT (FIXED) ASSETS	823,464,527	685,970,585	137,493,942	20.04
TOTAL ASSETS (I+II)	1,253,511,100	1,009,090,974	244,420,126	24.22
A- FINANCIAL LIABILITIES	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	27,613,834	31,797,514	(4,183,680)	(13.16)
C- DUE TO RELATED PARTIES	636,838	968,459	(331,621)	(34.24)
D- OTHER PAYABLES	3,667,545	2,024,469	1,643,076	81.16
E- INSURANCE TECHNICAL PROVISIONS	115,813,674	110,058,169	5,755,505	5.23
F- TAXES AND OTHER LIABILITIES PAYABLE AND PROVISIONS	6,895,564	3,420,694	3,474,870	101.58
G- PROVISIONS FOR OTHER RISKS	-	-	-	-
H- DEFERRED INCOME AND EXPENSE ACCRUALS	3,356,045	1,788,541	1,567,504	87.64
I- OTHER CURRENT LIABILITIES	10,603,432	6,308,468	4,294,964	68.08
III- TOTAL CURRENT LIABILITIES	168,586,932	156,366,314	12,220,618	7.82
A- FINANCIAL LIABILITIES	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	799,391,368	667,067,636	132,323,732	19.84
C- DUE TO RELATED PARTIES	-	-	-	-
D- OTHER PAYABLES	-	-	-	-
E- INSURANCE TECHNICAL PROVISIONS	161,788,816	98,517,631	63,271,185	64.22
F- OTHER LIABILITIES AND PROVISIONS	-	-	-	-
G- PROVISIONS FOR OTHER RISKS	3,801,989	2,283,844	1,518,145	66.47
H- DEFERRED INCOME AND EXPENSE ACCRUALS	-	-	-	-
I- OTHER NON-CURRENT LIABILITIES	-	-	-	-
IV- TOTAL NON-CURRENT LIABILITIES	964,982,173	767,869,111	197,113,062	25.67
A- SHARE CAPITAL (Nominal) Capital	45,000,000	45,000,000	-	-
Unpaid Capital	45,000,000	45,000,000	-	-
B- CAPITAL RESERVES	-	-	-	-
C- PROFIT RESERVES	14,804,922	12,301,560	2,503,362	20.35
D- RETAINED EARNINGS	4,998,361	2,633,428	2,364,933	89.80
E- ACCUMULATED DEFICIT (-)	-	-	-	-
F- NET PROFIT FOR THE YEAR	55,138,712	24,920,561	30,218,151	121.26
V. TOTAL SHAREHOLDERS' EQUITY	119,941,995	84,855,549	35,086,446	41.35
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+ IV+V)	1,253,511,100	1,009,090,974	244,420,126	24.22

Summarized Financial Information for the Five Year Period including Report Period

Balance Sheet (5-year)

ACCOUNT NAME	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
A- CASH AND CASH EQUIVALENT ASSETS	356,833,871	245,111,081	198,578,466	147,648,170	127,439,598
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT INSURANTS' RISK	-	-	-	43,179,312	38,155,027
C- RECEIVABLES FROM MAIN OPERATIONS	48,153,151	54,507,955	46,554,416	38,123,170	40,391,123
D- DUE FROM RELATED PARTIES	-	77,394	3,000	13,345	-
E- OTHER RECEIVABLES	-	-	535,935	536,203	-
F- PREPAID EXPENSES AND INCOME ACCRUALS	25,059,551	23,423,959	24,244,249	19,258,347	17,764,732
G- OTHER CURRENT ASSETS	-	-	-	-	-
I- TOTAL CURRENT ASSETS	430,046,573	323,120,389	269,916,066	248,980,175	223,763,825
A- RECEIVABLES FROM MAIN OPERATIONS	799,391,368	667,067,636	570,704,866	474,187,791	364,996,714
B- DUE FROM RELATED PARTIES	-	-	-	-	-
C- OTHER RECEIVABLES	14,899	15,347	18,626	38,214	34,181
D- FINANCIAL ASSETS	391,100	362,019	362,019	-	-
E- TANGIBLE ASSETS	5,756,295	6,104,715	7,663,430	1,943,947	2,230,223
F- INTANGIBLE ASSETS	12,506,646	8,912,169	7,116,319	3,444,213	3,577,500
G- PREPAID EXPENSES AND INCOME ACCRUALS	-	-	-	-	3,417
H- OTHER NON-CURRENT ASSETS	5,404,219	3,508,699	2,715,783	2,565,538	1,983,343
II- TOTAL NON-CURRENT (FIXED) ASSETS	823,464,527	685,970,585	588,583,736	482,541,722	372,825,378
TOTAL ASSETS (I+II)	1,253,511,100	1,009,090,974	858,499,802	731,521,897	596,589,203
	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	27,613,834	31,797,514	28,282,439	23,630,744	23,640,552
C- DUE TO RELATED PARTIES	636,838	968,459	421,315	666,955	705,408
D- OTHER PAYABLES	3,667,545	2,024,469	2,250,010	1,242,211	2,132,520
E- INSURANCE TECHNICAL PROVISIONS	115,813,674	110,058,169	95,348,105	75,975,528	66,242,207
F- TAXES AND OTHER LIABILITIES PAYABLE AND PROVISIONS	6,895,564	3,420,694	2,848,519	3,090,205	1,931,330
G- PROVISIONS FOR OTHER RISKS	-	-	-	-	-
H- DEFERRED INCOME AND EXPENSE ACCRUALS	3,356,045	1,788,541	1,081,464	451,142	379,895
I- OTHER CURRENT LIABILITIES	10,603,432	6,308,468	3,767,593	3,209,160	3,709,098
III- TOTAL CURRENT LIABILITIES	168,586,932	156,366,314	133,999,445	108,265,945	98,741,011
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	799,391,368	667,067,636	570,704,866	474,187,791	364,996,714
C- DUE TO RELATED PARTIES	-	-	-	-	-
D- OTHER PAYABLES	-	-	-	-	-
E- INSURANCE TECHNICAL PROVISIONS	161,788,816	98,517,631	81,906,309	68,284,087	63,228,126
F- OTHER LIABILITIES AND PROVISIONS	-	-	-	-	-
G- PROVISIONS FOR OTHER RISKS	3,801,989	2,283,844	1,951,992	1,472,102	732,556
H- DEFERRED INCOME AND EXPENSE ACCRUALS	-	-	-	-	-
I- OTHER NON-CURRENT LIABILITIES	-	-	-	-	-
IV- TOTAL NON-CURRENT LIABILITIES	964,982,173	767,869,111	654,563,167	543,943,980	428,957,396
A- SHARE CAPITAL (Nominal) Capital	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Unpaid Capital	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
B- CAPITAL RESERVES	-	-	-	-	-
C- PROFIT RESERVES	14,804,922	12,301,560	10,566,223	7,115,962	5,459,901
D- RETAINED EARNINGS	4,998,361	2,633,428	-	-	6,874,354
E- ACCUMULATED DEFICIT (-)	-	-	-	-	-
F- NET PROFIT FOR THE YEAR	55,138,712	24,920,561	14,370,967	27,196,010	11,556,542
V. TOTAL SHAREHOLDERS' EQUITY	119,941,995	84,855,549	69,937,190	79,311,972	68,890,798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+ IV+V)	1,253,511,100	1,009,090,974	858,499,802	731,521,897	596,589,203

Summarized Financial Information Income Table for the Five Year Period including the Report Period 2017

ACCOUNT NAME	31/12/2017	31/12/2016	DIFFERENCE (TL)	DIFFERENCE (%)
Non-Life Technical Income	35,169,402	32,745,610	2,423,792	7.40
Non-Life Technical Expenses (-)	(20,479,304)	(15,636,780)	(4,842,524)	30.97
NET TECHNICAL INCOME-NON-LIFE	14,690,098	17,108,830	(2,418,732)	(14.14)
Life Technical Income	430,572,706	256,115,336	174,457,370	68.12
Life Technical Expenses (-)	(398,738,083)	(254,408,821)	(144,329,262)	56.73
NET TECHNICAL INCOME-LIFE	31,834,623	1,706,515	30,128,108	1.765.48
Pension Funds Technical Income	17,479,152	16,444,299	1,034,853	6.29
Pension Funds Technical Expense	(13,628,885)	(15,979,845)	2,350,960	(14.71)
NET TECHNICAL INCOME-PENSION FUNDS	3,850,267	464,454	3,385,813	728.99
TOTAL NET TECHNICAL INCOME	50,374,988	19,279,799	31,095,189	161.28
Investment Income	36,654,910	24,725,417	11,929,493	48.25
Investment Expenses (-)	(10,118,775)	(7,718,771)	(2,400,004)	31.09
Income and Expenses from Other Operations and Extraordinary Operations	(6,321,587)	(4,258,184)	(2,063,403)	48.46
Net Profit / (Loss) for The Period	55,138,712	24,920,561	30,218,151	121.26
Term Profit / (Loss) for The Period	70,589,536	32,028,261	38,561,275	120.40
Corporate Tax Provision and Other Fiscal Liabilities	(15,450,824)	(7,107,700)	(8,343,124)	117.38
NET TERM PROFIT / (LOSS) FOR THE PERIOD	55,138,712	24,920,561	30,218,151	121.26

Income statement (5-Year) 2017

ACCOUNT NAME	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Non-Life Technical Income	35,169,402	32,745,610	31,493,314	9,189,764	1,053,085
Non-Life Technical Expenses (-)	(20,479,304)	(15,636,780)	(18,701,168)	(5,834,254)	(601,003)
NET TECHNICAL INCOME-NON-LIFE	14,690,098	17,108,830	12,792,146	3,355,510	452,082
Life Technical Income	430,572,706	256,115,336	202,329,571	189,320,374	190,685,543
Life Technical Expenses (-)	(398,738,083)	(254,408,821)	(197,393,865)	(167,360,286)	(165,876,133)
NET TECHNICAL INCOME-LIFE	31,834,623	1,706,515	4,935,706	21,960,088	24,809,410
Pension Funds Technical Income	17,479,152	16,444,299	14,603,920	12,819,124	10,521,744
Pension Funds Technical Expense	(13,628,885)	(15,979,845)	(21,753,537)	(20,211,620)	(23,043,027)
NET TECHNICAL INCOME-PENSION FUNDS	3,850,267	464,454	(7,149,617)	(7,392,496)	(12,521,283)
TOTAL NET TECHNICAL INCOME	50,374,988	19,279,799	10,578,235	17,923,102	12,740,209
Investment Income	36,654,910	24,725,417	23,543,840	31,424,680	27,114,399
Investment Expenses (-)	(10,118,775)	(7,718,771)	(13,383,150)	(14,592,194)	(22,461,646)
Income and Expenses from Other Operations and Extraordinary Operations	(6,321,587)	(4,258,184)	(2,558,864)	259,038	(1,948,365)
Net Profit / (Loss) for The Period	55,138,712	24,920,561	14,370,967	27,196,010	11,556,542
Term Profit / (Loss) for The Period	70,589,536	32,028,261	18,180,061	35,014,626	15,444,597
Corporate Tax Provision and Other Fiscal Liabilities	(15,450,824)	(7,107,700)	(3,809,094)	(7,818,616)	(3,888,055)
NET TERM PROFIT / (LOSS) FOR THE PERIOD	55,138,712	24,920,561	14,370,967	27,196,010	11,556,542

CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.

END-OF-YEAR NON-CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2017

The Annual Report of the Company for the accounting period ended on Sunday, December 31, 2017 is drafted and submitted in line with the methods and procedures set forth by Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies and Article 516 of Turkish Commercial Code.

Yours Sincerely,



Mehmet Ömer Arif ARAS
Chairman



Gail Bernadette COSTA
Board Member / CEO



Adnan Menderes YAYLA
Member of the Board



Erkin AYDIN
Member of the Board



David Anthony TOBIN
Financial Control and Reporting,
Technical and Actuary
Assistant General Manager



Ece KAZCILAR
Financial Control and Reporting
Group Manager