



Annual Report 2018

AKSigorta
Beyond...



What can people expect from an insurance company that **goes beyond?**

To look at life from a **different** perspective, not as an insurer but through their own eyes.

To see their true needs, to provide a **different** set of products and services?

People have a **different** set of priorities from their insurance, not just on the bad days. But, what can you expect if an insurance company is there for the good days too?

So, can an insurance company meet the requests of people who want **completely different** things from them?

In short, can it meet the needs of people with **completely different** views of insurance.

There is an insurance company that lives to answer these questions.

With Aksigorta, everything is beyond what you expect because Aksigorta is always **going beyond.**

AKSigorta
Beyond...

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Aksigorta A.Ş. Agenda for the Annual General Meeting

DATE OF MEETING : 04.02.2019
NUMBER DECISION : 13

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Emmanuel Van GRIMBERGEN
- Hayri ÇULHACI
- Fuat ÖKSÜZ
- Stefan Georges Leon BRAEKEVELDT
- Lütfiye Yeşim UÇTUM
- Emin Hakan EMİNSOY
- Uğur GÜLEN

AGENDA:

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

RESOLUTION

It has been decided that the Ordinary General Assembly Meeting of the Company for 2018 to convene on March 4th, 2019 at 15:00 at the address of Istanbul, Beşiktaş, 4. Levent, Sabancı Center with the below agenda.

Agenda

1. Opening and formation of Meeting Chairmanship,
2. Reading and discussion of the Board of Directors' Annual Report for 2018,
3. Reading of the summary of Auditors' Reports for 2018,
4. Review and approval of Financial Statements for 2018,
5. Approval of the members of the Board who are appointed by the Board of Directors for the vacant memberships for the remaining duty period,
6. Release of the Board of Directors regarding their activities in 2018,
7. Determination of the use of Profit of the year 2018, the dividend payment and share,
8. Election of the Auditor,
9. Informing the General Assembly regarding the Donations made in 2018,
10. Determination of donation limits of the company for the year 2019,
11. Granting permission to the Chairman and members of the Board of Directors to carry out the transactions written in Articles 395 and 396 of Turkish Commercial Code.

Chairman

Haluk DİNÇER

Vice Chairman

Emmanuel Van GRIMBERGEN

Board Member

Hayri ÇULHACI

Board Member

Fuat ÖKSÜZ

Board Member

**Stefan Georges Leon
BRAEKEVELDT**

Independent Board Member

Lütfiye Yeşim UÇTUM

Independent Board Member

Emin Hakan EMİNSOY

Board Member,
General Manager

Uğur GÜLEN

Aksigorta 2018 Figures

3,515

Total Assets
(TL million)

228

Net Profit
(TL million)

2,029

Fund Size
(TL million)

3,417

Premium Production
(TL million)

718

Shareholders' Equity
(TL million)

7.7%

Market
Share

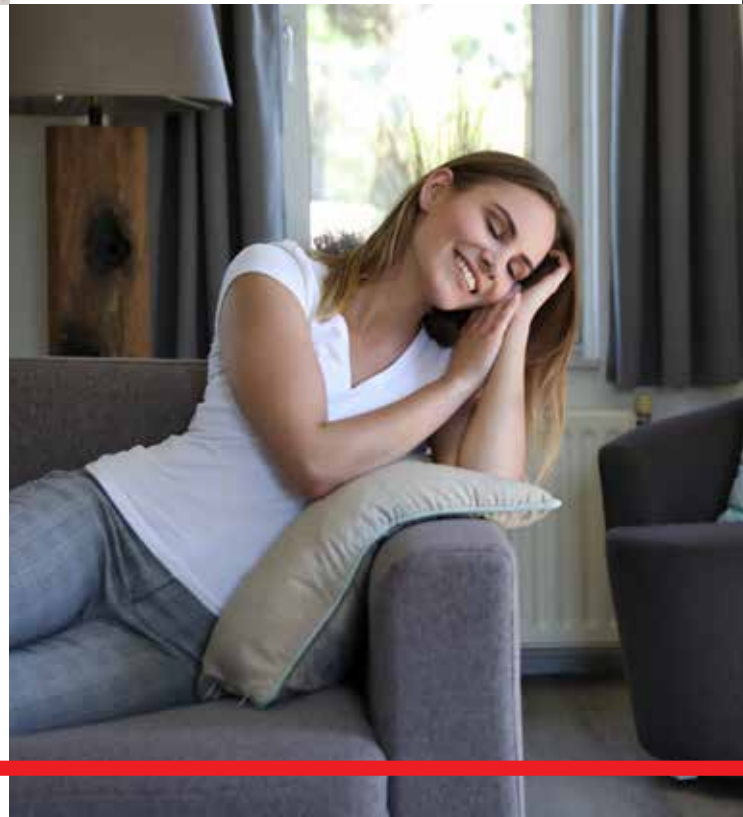


Our Vision

To make insurance
easy, understandable
and accessible
for everyone

Our Mission

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





Our Values



Respectful

We are a trusted company where respect is key.



Solutions Driven

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



Success Driven

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



People Focused

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

Our Strategy



Our Choices

In accordance with **customer needs**, we will improve our **balanced product and channel** portfolio; and focus on customer acquisition. We will use technology and digital operations.



Our Priorities

We will improve **employee** awareness and skills. In parallel with the changing and evolving world; **innovation, customer focus, analytics and digitalization** will remain our strategic priorities.



Our Goals

We will **create value** for our shareholders based on **sustainable** profitability and competitive advantages.



About Aksigorta

Since its foundation, Aksigorta has been an innovation pioneer in the industry, thanks to its **58** years of experience and know-how. Accordingly, the Company took its customer-centric, innovative approach to the next level in **2018**.

Aksigorta provides service to **4.3** million policy owners and corporate customers through **10** regional directorates, **650** employees approximately **3,000** independent agencies, approximately **782** Akbank branches, **69** brokers and **5,736** contracted institutions.

Being one of the leading insurance companies in Turkey, Aksigorta achieved strong financial results in 2018. As of year-end, the Company's total assets reached TL **3,315** million and net profit climbed to TL **228** million.

Aksigorta recorded premium production of TL **3,417** million, up **30%** compared to the same period last year. In 2018, Aksigorta grew faster than the industry, and increased its total market share to **7.7%**.

Management's Assessment

During this new period, **we achieved many firsts to take insurance "beyond" by looking through the eyes of the customer**, instead of the insurer, and introducing different products and services that go beyond in meeting their needs.

34%

Return on equity

850,000

Transactions made with ADA



Esteemed Shareholders,

In 2018, the global economic agenda was very full as the world economy continued to lose momentum in line with the expectations of international financial institutions. Fears of trade war stoked by reports from the US and China somewhat eased after Trump and Xi reached a consensus in late November. While US President Trump repeatedly criticized the Federal Reserve for increasing interest rates, it is expected that the Fed will slow down interest rate hikes in 2019. Fluctuations in exchange rates and inflation, caused by global events in 2018, affected the Turkish economy. Input costs for the manufacturing industry rose as did service costs for the insurance industry. For example, rising inflation had a direct impact on the cost of spare parts, labor and assistance services in auto insurance; repair costs and

assistance services in non-motor insurance products; and medical services and medicine costs in the health insurance segment. Meanwhile, the cost of automobile spare parts, medical services and reinsurance were directly affected by fluctuating exchange rates. Insurance premiums increased due to rising costs, causing the growth of the insurance sector to slow and profit margins to contract. On the other hand, insurance companies maintained a high level of liquidity, thanks to collected premiums and the technical provisions in their balance sheets; combined with higher interest rates, this had a positive effect on the sector's financial income during the year. In the coming period, the decline in insurance income is expected to be balanced with the increase in financial income.

Technology is changing rapidly – in fact, it is evolving. In today's world, many new advanced technologies – such as artificial intelligence, the Internet of Things, virtual reality, telematics, and blockchain – have already entered our lives. These new technologies are significantly changing the business models of many companies across a wide variety of industries. We can safely say that the insurance industry also has the potential for further development in terms of digitalization. As emerging technologies and changing customer needs push companies to improve their existing products and services, and formulate new strategies, the insurance industry has not remained indifferent to change. Insurance companies are starting to implement these new technologies, which are also evolving in line with people's perceptions, in their own systems by feeding them with various applications and analytical data. As a result, sector players are establishing systems that can analyze individual consumer behavior and offer personalized experiences. During the reporting period, Aksigorta focused on advanced technology and innovation. We targeted our efforts on the Robot Transformation Project/Robotic Process Automation (RPA) and start-ups. At Aksigorta, artificial intelligence has been at the forefront of our technology and innovation drive. We focused on NLP, Machine Learning, Deep Learning, Image Recognition, and Speech to Text – all of which are technological elements of artificial intelligence. Aksigorta has increasingly invested in artificial intelligence technologies since 2016. Our new technology investments accounted for 25% of our investment budget in 2018, up from 7% in 2017.

In 2018, we launched ADA (Aksigorta Digital Assistant), the first-of-its-kind artificial intelligence application in the sector, in line with our digitalization strategy. Thanks to ADA, we reduced the response time to respond to agency requests from two hours to just two minutes, while also boosting labor productivity by saving on labor costs of 19 employees. Our project also inspired foreign companies. We provided support to Etiqa, an insurance company based in Southeast Asia, in their business processes by reducing their transaction time to three minutes, down from 20 minutes previously. We integrated ADA, which garnered awards from prestigious firms such as IDC and Gartner, with our website, enabling us to meet customer needs around the clock. We aim to execute 2 million transactions a year through ADA, which is currently being used for 30 different processes across six departments. Our Aksiyon application, which combines CRM, mobile and AI technologies, enables us to get a 360-degree view of our customers starting at the sales phase; understand them better; and contact them directly. As a result, we can deliver excellent service to our customers. Aksiyon mobile app – which is supported by data analytics and a CRM system – has state-of-the-art features such as instant notifications, MOD analysis, route planning to reduce the time spent in traffic, and navigation. Additionally, we developed a conceptual model aimed at lapsed MOD customers through the Initiative on the Discovery and Analysis of Big Data in Insurance. We launched this effort together with the Big Data Behavioral Analytics and Visualization Laboratory (BAVLAB). As a result,

We targeted our efforts on **the Robot Transformation Project/Robotic Process Automation (RPA) and start-ups.**

our success rate reached 83%. We firmly believe that Aksigorta will become the industry leader in big data analytics and the development of new forward-looking strategies.

Considering recent developments at the Company, 2018 was a year of change for Aksigorta. During this reporting period, we focused attention on our customers and agencies more than the industry or the competition. We established PURA, an innovation platform, to further improve next-generation insurance services. One-hundred employees have already joined this groundbreaking platform. After providing training courses on innovative thinking to our employees, we asked them to go into the field and speak with both insurance customers, and also with non-customers. The objective was to get their thoughts and feedback, observe their physical gestures, and hear their voices as well as their silence. Understanding the perspective of non-customers, who make up a large segment, was very important for us. After collecting all the data, we put all the ideas, from the slogan to the benefits, to a vote in a democratic manner. Subsequently, we developed and launched Supplemental

Management's Assessment

Our efforts yielded positive results and Aksigorta outpaced the industry's growth rate and increased the market share in 2018.

Traffic Packages – a first-of-its kind product in the industry that attracted the attention of non-customers. In just two months, we sold 15 thousand insurance policies of "Supplemental Traffic Packages" and generated TL 10 million in premiums. We aim to sell these policies to 1 million persons by end-2019. To this end, we held meetings with more than 1,500 agencies at 10 regional directorates. At these meetings, we introduced our new products and obtained suggestions and requests from our agencies. We repositioned the Aksigorta brand under the "Beyond" slogan. During the year, we achieved many firsts to take insurance "beyond" by looking through the eyes of the customer, instead of the insurer, and introducing different products and services that go beyond in meeting their needs. Our efforts yielded positive results.

Aksigorta outpaced the industry's growth rate and increased the market share in 2018. Aksigorta recorded premium production of TL 3.4 billion, up 30% compared to the same period last year. Our MTPL branch grew 94% while the marine and MOD branches expanded 56% and 66%, respectively. During the reporting period, Aksigorta stock that returned went up 21%, outperforming the BIST 100 index. With a market share of 7.7%, our company is the third largest player in the sector. While the overall industry grew 20%, Aksigorta achieved 30% growth. We continue

to expand our product portfolio by taking a modular, customer-centric approach. At Aksigorta, we aim to boost our market share and further strengthening our market position in 2019. In the coming year, we will continue to invest in innovation, digitalization and data analytics. In line with our profitable growth target, we plan to keep our return on equity (ROE) above 30% and create more added-value for our shareholders.

During the reporting year, we expanded the boundaries of the insurance business. We accomplished this thanks to the committed efforts of our agencies and employees, whom we have always considered our most valuable assets throughout our Company's long-standing history. We would like to extend our sincerest thanks to all our shareholders – especially our main shareholders Sabancı Holding and Ageas – for their continued support in 2018.

Respectfully yours,



Haluk Dinçer

Chairman
of the Board of Directors



Uğur Gülen

Board Member and
General Manager

Corporate Profile

Having introduced the concept of next-generation insurance to the market, **Aksigorta integrates advanced technology and the power of digitalization into its sustainable growth targets.**

3,000

Independent agencies

5,736

Contracted institutions

10

Regional directorates



Aksigorta utilizes its experience, knowledge and resources **to provide the right solutions to its customers.**

Boasting 58 years of experience and knowhow, Aksigorta has been the innovation pioneer in the industry since its founding. The Company steadily moves forward with its innovative, customer-oriented vision. While placing the corporate emphasis on customer satisfaction, Aksigorta adheres to all national and international insurance laws, rules, regulations and standards in line with its vision, mission and values. The Company serves corporate and individual customers with 10 regional offices, 650 employees, 3,000 independent agencies, 782 Akbank branches, 69 brokers and 5,736 contracted institutions.

Following its partnership with Sabancı Holding and Belgium-based Ageas, Aksigorta continues to build upon its strong brand recognition and high market capitalization. The Company aims to help develop the industry and the national economy while steadily capturing more market share.

After embracing the concept of "Next-Generation Insurance" in 2018, Aksigorta focused its efforts on

simple, understandable and accessible products and services. In keeping with its customer-oriented approach, the Company plans to expand beyond the boundaries of the insurance industry and bring a fresh perspective to the sector. To this end, Aksigorta made significant investments in innovation, analytics, new technologies and artificial intelligence and plans to take Aksigorta "Beyond" – making innovation and customer orientation its top strategic priority. After conducting extensive in-depth interviews with its customers, Aksigorta transformed into an enterprise that closely supports its customers and continuously responds to their changing needs and plans to introduce a new forward-looking dimension to the industry.

The major shareholders of Aksigorta, whose shares are publicly traded on the BIST National Market under the AKGRT ticker, are H.Ö. Sabancı Holding (36% stake) and Ageas Insurance International N.V. (36% stake). According to the independent audit of 31 December 2018 unconsolidated financial statements, Aksigorta recorded total assets of TL 3,315 million.





The Future Goes Beyond

Embracing the concept of next-generation insurance, we focused our efforts on easy, understandable and accessible products and services. During the period, we expanded beyond the boundaries of the insurance business and brought a fresh perspective to the sector by looking through the eyes of the customer. **We are now offering our customers a wholly different future through a different approach to insurance that goes beyond.**

Financial Highlights

Financial Indicators (TL Million)	2017	2018
Gross Written Premiums	2,636	3,417
Claims Paid	842	1,341
Technical Profit (Technical Part Balance)	214	368
Profit Before Tax	167	294
Net Profit	127	228
Paid-in Capital	306	306
Shareholders' Equity	629	718
Total Assets	2,713	3,515
Capital Solvency Ratios	2017	2018
Written Premiums/Shareholders' Equity	419%	476%
Shareholders' Equity/Total Assets	23%	20%
Capital Adequacy Ratio	137%	131%*
Operational Ratios (Non-Life)	2017	2018
Retention Ratio	59%	59%
Loss Ratio (Net)	66%	74%
Combined Ratio	97%	100%
Profitability Ratios	2017	2018
Technical Profit/Written Premiums	8%	11%
Profit Before Tax/Written premiums	6%	9%
Net Profit/Written Premiums	5%	7%
Return on Equity (ROE)	23%	34%

* As of December 31, 2018 calculation

Aksigorta Partnership Structure

Registered Capital

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

Capital Structure

No material changes have taken place in the capital structure of Aksigorta A.Ş., as shown in the table below. Both of the Company's major shareholders have purchased the same volume of Aksigorta shares traded on the Borsa Istanbul; as a result, their stake in the Company increased from 33.11% to 36%. There are no privileged shares holding special rights.

Management Methodology

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

Shareholders That Control More Than a 10% Stake in the Company's Issued Capital

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

Shareholders	2017		2018	
	Share (%)	Amount (TL)	Share (%)	Amount (TL)
H.Ö. Sabancı Holding	36	110,160,000	36	110,160,000
Ageas Insurance International N.V.	36	110,160,000	36	110,160,000
Free Float	28	85,680,000	28	85,680,000
Total	100	306,000,000	100	306,000,000

Our Customer Relations Policy

Embracing a customer-focused approach, **Aksigorta aligned its customer relationship management system with international standards and established the ISO 10002:2015 Customer Complaints Management System.**

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

Customer Experience Constitution



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



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



Article 2
Aksigorta embraces the approach of putting itself in the customer's shoes at every level of the organization.



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



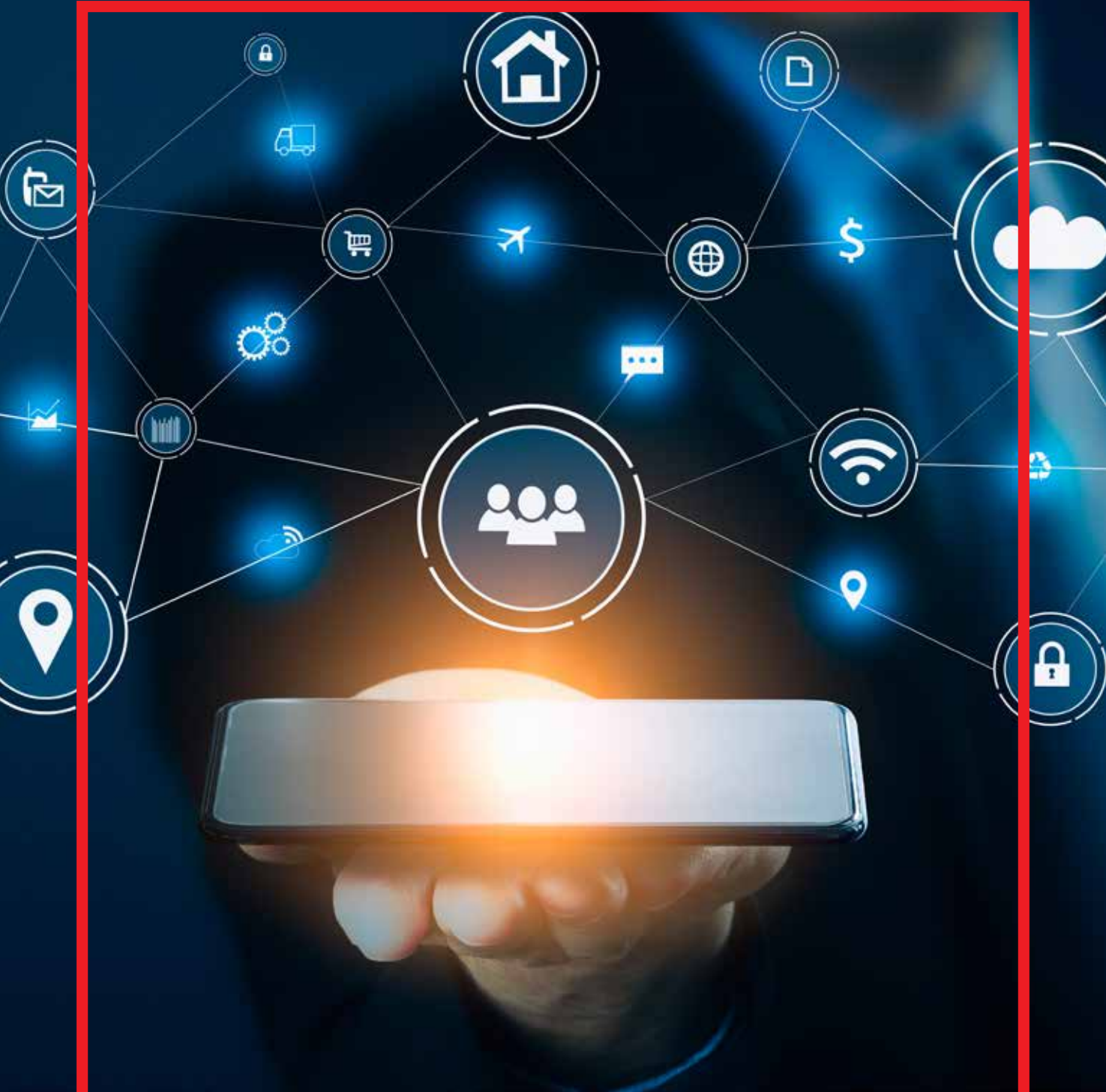
Article 3
Together with its solution partners, Aksigorta takes ownership of the entire experience it delivers to policyholders.



Article 7
Aksigorta does its best to enable policyholders to continue their lives as usual, no matter what.



Article 4
Aksigorta communicates with its customers in a simple, easy-to-understand manner.



Aksigorta took customer relationship management to the next level with its new CRM system by **consolidating customer data, call center services and the handling of customer requests and complaints on a single platform.**

An Adventure that Dates Back to 1960...



1960s

The first policy

The first policy was issued by Aksigorta in 1961.

The first insurance agency

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

1980s

Beginning of bancassurance

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

1990s

Public offering of Aksigorta

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

Opening of the Fire and Earthquake Training Center

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

The first website

In 1996, Aksigorta's first website was launched in line with its objective of serving customers more rapidly and effectively.

The first online policy

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

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





2000s

Awarded the certificate of authorization in the health branch

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

Opening of the Aksigorta Service Center

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

Transition to regional management

Renewing itself constantly in line with market conditions and demand, Aksigorta shifted its management strategy from central management to regional management in 2006 through revising its business and decision making processes. Aksigorta

created a widespread regional organization by strengthening the competency and capacity of the regional directorates, given that they are the Company's initial contact points with customers and agencies.

Merger between AkEmeklilik and Aviva Hayat ve Emeklilik

AkEmeklilik A.Ş., a subsidiary of Aksigorta, merged with Aviva Hayat ve Emeklilik A.Ş. in 2007. Following the merger, the Company operated under the name AvivaSA Emeklilik ve Hayat A.Ş.

Harmonization with new legislation

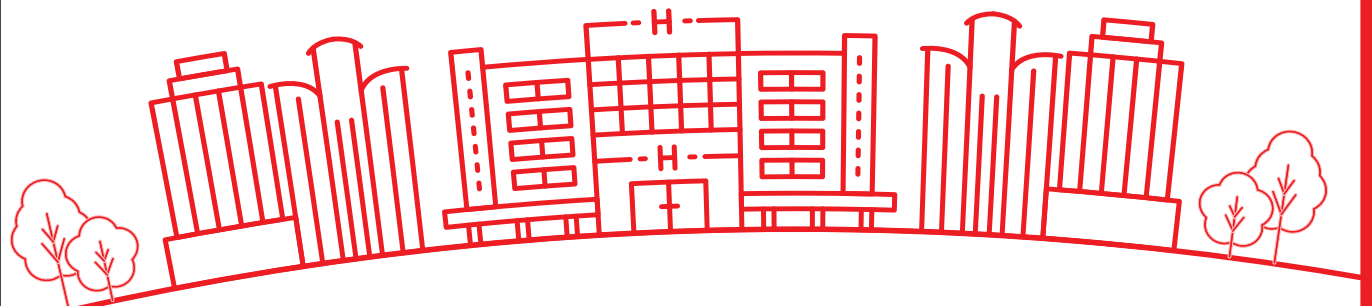
In 2008, Aksigorta rapidly completed its efforts to bring itself in line with the newly implemented insurance business laws and regulations in Turkey. Renowned for its efforts to comply with new legal and regulatory requirements, Aksigorta became the leading company on KalDer's Turkish Customer Satisfaction List. During the same year, Tüketici Dergisi (Consumer Magazine) named

Aksigorta the "Most Reliable Insurance Company for Quality" for the fourth consecutive year.

"Most Reliable Insurance Company"

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

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



An Adventure that Dates Back to 1960...



50th Anniversary

50th Anniversary and Keep Living, Turkey

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

Joining forces with Ageas

Ageas, a Belgium based international insurance company, became a strategic shareholder of Aksigorta in July 2011 as Sabancı Holding, which held a 62% stake in Aksigorta at the time, sold 31% of the shares to Ageas for USD 220 million

to forge a strategic alliance for Aksigorta. The company has reinforced its strengths by including a global dimension, thanks to its new ownership structure.

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

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

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

New regional structure

Aksigorta made changes in the regional structure to decrease the operational load



and responsibility of agency sales teams and to help them focus more on sales in 2013. With the new structuring and organization, the existing 9 regional directorates and 2 representative offices became 16 in total, with the Denizli and Trabzon Representative offices turning into Regional Directorates and with the opening of Regional Directorates in Kocaeli, Çorlu, Gaziantep, Kayseri and Eskişehir.

Aksigorta's new office

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

55th Anniversary

Celebrating its 55th anniversary in 2015, Aksigorta insures 5 customers, issuing 7 policies every minute. Over the last 55 years, the Company paid TL 14 billion on a total of 9 million claims. Approximately 2.8 million of the customers insured by Aksigorta hold 1.3 policies on average. Aksigorta celebrated its 55th anniversary with its employees and managers, who have significantly contributed to the Company's success, at a cocktail reception held at its Headquarters building.

2017

New regional structure

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

2018

PURA: Innovation Platform

Aksigorta established PURA, a corporate innovation platform, in order to implement its innovation centered approach and methodology.

Ongoing Investments in Technology

In line with its digitalization strategy, Aksigorta launched ADA (Aksigorta Digital Assistant) – a first-of-its-kind artificial intelligence application in the sector.

Aksigorta "Goes Beyond"

In line with the concept of next-generation insurance, Aksigorta shifted its focus from the product to the customer. The Company aimed to create a brand new world that will lead the industry and bring a fresh perspective to the insurance sector. Aksigorta adopted the slogan "Beyond" to communicate its primary aim of closely supporting its customers and responding to their changing needs while expanding the boundaries of the insurance industry.







Beyond Innovation

Aksigorta adopts an innovation-centered approach and methodology to transform into a company that goes beyond boundaries. We established PURA, a corporate innovation platform, in order to implement this methodology.

Nearly 100 employees from various departments have already joined PURA. This team is working to achieve firsts in the industry.

Awards & Achievements

In 2018, Aksigorta won many awards for its technology projects such as ClaimsChat, ADA, and Artificial Intelligence (AI). The Company also improved elements of employee experience and **received the "Achievement Award for Employee Loyalty."**



Aksigorta's Data Center Transformation Project was **named the "Best Cost-Cutting IT Project"** by IDC.

First Prize at the Golden Collar Awards

The annual Sabancı Golden Collar Awards recognize the achievements of Sabancı Group companies and employees, and encourage mutual sharing of best practices across the Group. This year, Aksigorta won first prize in the "Customer Experience" category with its ClaimsChat project.

Having introduced Next-Generation Insurance – easy, understandable and accessible insurance products and services – to the market, Aksigorta responds to customers' queries about their claims via live chat. After receiving claim notices from customers, the AI in the ClaimsChat application creates a WhatsApp group consisting of an expert, a file officer, and customer service representative to facilitate fast and transparent communications.

Based on experience scores of 1,500 customers, the overall customer satisfaction score has risen to 4.5 (out of 5) and process completion time has declined 30% since the launch of this innovative project.

2018 Gartner Eye Award

After boosting business process efficiency with its digital transformation initiative, Aksigorta was named among the best in the EMEA Region at the 2018 Gartner Eye on Innovation Awards.

Aksigorta started using artificial intelligence in addition to robotic process automation in order to improve customer satisfaction and accelerate requests processing significantly. Thanks to artificial intelligence, Aksigorta speeded up service delivery by delegating defined operations to robots. With this effort, the Company better uses its workforce to improve its services and address the needs of customers on a 24/7 basis.

Stevie Award for Aksigorta's New CRM System

Aksigorta received a Silver Stevie award for its new CRM system in the category "Best Use of Technology in Insurance" at the 12th annual Stevie Awards for Sales & Customer Service. An international panel of professional and independent judges evaluated more than 2,500 projects for the Stevie Awards competition.

Aksigorta took customer relationship management to the next level with its new CRM system. After consolidating customer data, call center services and the handling of customer requests and complaints on a single platform, the Company became able to monitor the quality of customer services provided by third parties on behalf of Aksigorta.

Aksigorta's Data Center Transformation Project is recognized by IDC

Aksigorta accelerated its digital transformation by placing innovation and technology at the heart of its Next-Generation Insurance services. As a result, IDC named Aksigorta's Data Center Transformation project the "Best Cost-Cutting IT Project." Aksigorta aims to achieve improved performance, security, greater flexibility, effective management, and cost efficiency with this effort. The Company established an infrastructure for managing its agencies and location-independent systems, thereby increasing implementation



Aksigorta received an award for its AI solutions at the **2018 Gartner Eye on Innovation Awards.**

performance by 40%. Additionally, Aksigorta reduced backup-restore time to 10 hours, down from 24 hours. With the Data Center Transformation project, Aksigorta aims to save TL 20 million by the end of four years.

Client – Centric Co-Innovation Awards

ADA, a first-of-its-kind artificial intelligence application developed by Aksigorta in line with its digitalization strategy, was a finalist among 435 projects at the 2018 Client – Centric Co-Innovation Awards organized by Accenture in India.

Achievement Award for Employee Loyalty

The employee engagement survey conducted by Aon Hewitt, a global leader in human resources and management consulting, has covered more than 5 thousand companies and 2.2 million employees across Europe, and 348 companies and 316 thousand employees in Turkey since 2005. According to the results of the survey, Aksigorta improved its employee loyalty score and other elements of employee experience – career opportunities, training and development, brand, among others – compared to the previous period. Therefore, the Company received the Achievement Award for Employee Loyalty.





Beyond Technology

Innovation, analytics, artificial intelligence and new technologies are among our top investment priorities.

We introduced ADA (Aksigorta Digital Assistant) to the Turkish market. We aim to execute 2 million transactions yearly by using ADA, the first artificial intelligence digital assistant in Turkey.

The Economy and the Sector in 2018

Protectionist trade measures introduced in early 2018 put global stock markets under pressure, especially from the second half of June onward. **During this period, emerging markets, particularly China, were negatively impacted.**



Having achieved 30% growth, Aksigorta continued to **increase its market share during the year.**

Global Economy

As monetary policy normalization in developed countries accelerated, capital outflows from emerging markets posed a major risk to global growth prospects. Meanwhile, protectionism and trade wars emerged as new risks to the world economy in 2018. When protectionist measures become bilateral, they tend to create a spiral, which bears the risk of harming global growth quickly. In a world where technology is changing rapidly and digitalization is eliminating boundaries more than ever before, protectionist policies are not sustainable.

Protectionist trade measures introduced in early 2018 put global stock markets under pressure, especially from the second half of June onward. During this period, emerging markets, particularly China, were negatively impacted. However in December, Trump and Xi met at the G20 summit in Argentina. The two parties agreed to a 90-day trade truce and to continue negotiations, slightly alleviating concerns over the world economy.

On the other hand, the IMF cut its global economic growth forecasts for 2018 and 2019 from 3.9% to 3.7% in its "World Economic Outlook Report," which was released in October. The US economy maintained its strong outlook, expanding 3.5% in the third quarter. This remarkable growth was driven by continued strong consumer spending while net exports hit a 34-year low, making the least contribution to growth.

US President Trump repeatedly criticized the Federal Reserve for increasing interest rates, and yet the Fed was still likely to raise rates in December. However, the Fed is now expected to slow the pace of rate hikes in 2019. Meanwhile, the European Central Bank (ECB) was expected to announce the end of the asset purchase program in December. The ECB is closely monitoring the loss of growth momentum in the Euro area.

Another major development in 2018 was that the EU and the UK finally reached an agreement in the Brexit negotiations in November. UK and EU officials have agreed to a draft text. However, ratification of the deal in the UK parliament is expected to be difficult, which may lead to further Brexit uncertainty. The budget stalemate continued between the Italian Government and the European Commission despite some reports that Italian officials could reduce the country's budget deficit-to-GDP target, relieving tensions slightly.

Turkey's Economy

In parallel with the global economic rebound, the Turkish economy expanded 7.4% in 2017 – the highest growth rate in four years. On the other hand, the IMF lowered Turkey's growth forecast for 2018 to 3.5%, down from 4.2%, in its "World Economic Outlook October Report," and projected that the Turkish economy would expand 0.4% in 2019.

Domestic data confirms a slowdown in economic activity. Turkey posted a current account surplus in August and September due to contracting domestic demand. Industrial production dropped in September year-on-year along with a significant decrease in capacity.

PMI data remained below the 50-point mark in November, indicating a continued slowdown in the industry in the eighth month of the year.

Foreign direct investment flows remained slow during this period, as developing countries are now considered riskier for hot money flows. Therefore, the government took several monetary measures to reduce inflation. Such economic policies and measures helped restore investor confidence in financial stability. Further, the government introduced a series of new initiatives to contribute to the economy.

Thanks to the tax discounts in various industries such as automotive, housing and white goods, and the appreciation of the Turkish Lira, the inflation rate dropped in November. During this period, the volatility of core inflation indicators has also stopped, which was seen as a positive development. The extent to which the recent improvement in the realized inflation rate will affect inflation expectations should be closely monitored in the coming period.

Turkey needs to strengthen its institutions, particularly its democracy and judiciary, in order to achieve true development, beyond economic development. A series of reforms in several areas, mainly including education, taxation, and gender equality, which are necessary to build the future, must be implemented.

On the other hand, climate change and increasing consumption of natural resources are negatively impacting the world economy; and climate change is discussed not only with its environmental effects, but also with its economic and social

The Turkish economy **must consider the opportunities of low-carbon development** in order to maintain global and industry-specific competitiveness.

effects. In this regard, the Turkish economy must start considering the opportunities of low-carbon development seriously in order to maintain global and industry-specific competitiveness.

According to the "Global Risks Report" published by TUSİAD and Marsh Turkey, the number of cyber-attacks doubled in the last 5 years while the number of malware exceeded 357 million. The average cost of a cyber-attack on a company increased by 27.4% in one year to reach £ 11.7 million. The number Internet of Things (IoT) devices, which make life easier through smart connectivity, rose to 8.4 billion, exceeding the global population. It's expected that they will reach 20.4 billion in 2020. Companies that want to continue their economic presence and achieve growth in this juncture not only take commercial measures, but they also follow technological developments closely and take preventive measures against risks.

The Economy and the Sector in 2018

In 2018, the insurance industry generated premiums of TL 13 billion in the MTPL segment, **TL 8.4 billion in the MOD segment, and TL 7 billion in the fire and natural disasters segment.**

TL 46 billion

Premium production in the non-life insurance industry

15%

Growth forecast for the insurance industry in 2019



Home, vehicle, MOD, and health insurance policies in Turkey are **much more advanced as compared to the rest of the world.**

The Insurance Industry

Today, even mandatory insurance products have very low penetration rates in Turkey. 50 out of every 100 houses do not have a mandatory earthquake coverage; similarly, 20 out of every 100 vehicles do not have a MTPL coverage. About 75 percent of vehicle owners do not purchase an MOD insurance policy while health insurance penetration stands at only 5%.

In other countries, demand arises naturally because people have a sense of self-protection, and insurance companies had already developed their product portfolios to meet customer demand. Therefore in these countries, products do not change very much. There is limited competition in these markets, where price changes are around +10/-10 per cent.

Therefore in Turkey, any innovations, new approaches, and even customer focus in the insurance industry change very rapidly. The Turkish market is very rich in terms of product diversity, but it's also very concessive in terms of coverage, and quite reasonable in terms of pricing.



In other countries, demand arises naturally because people have a sense of self-protection, and insurance companies had already developed their product portfolios to meet customer demand; **in these countries, products do not change very much.**

On the other hand today, home insurance policies, vehicle insurance policies, MOD insurance policies, and health insurance policies are much more advanced when compared to the past.

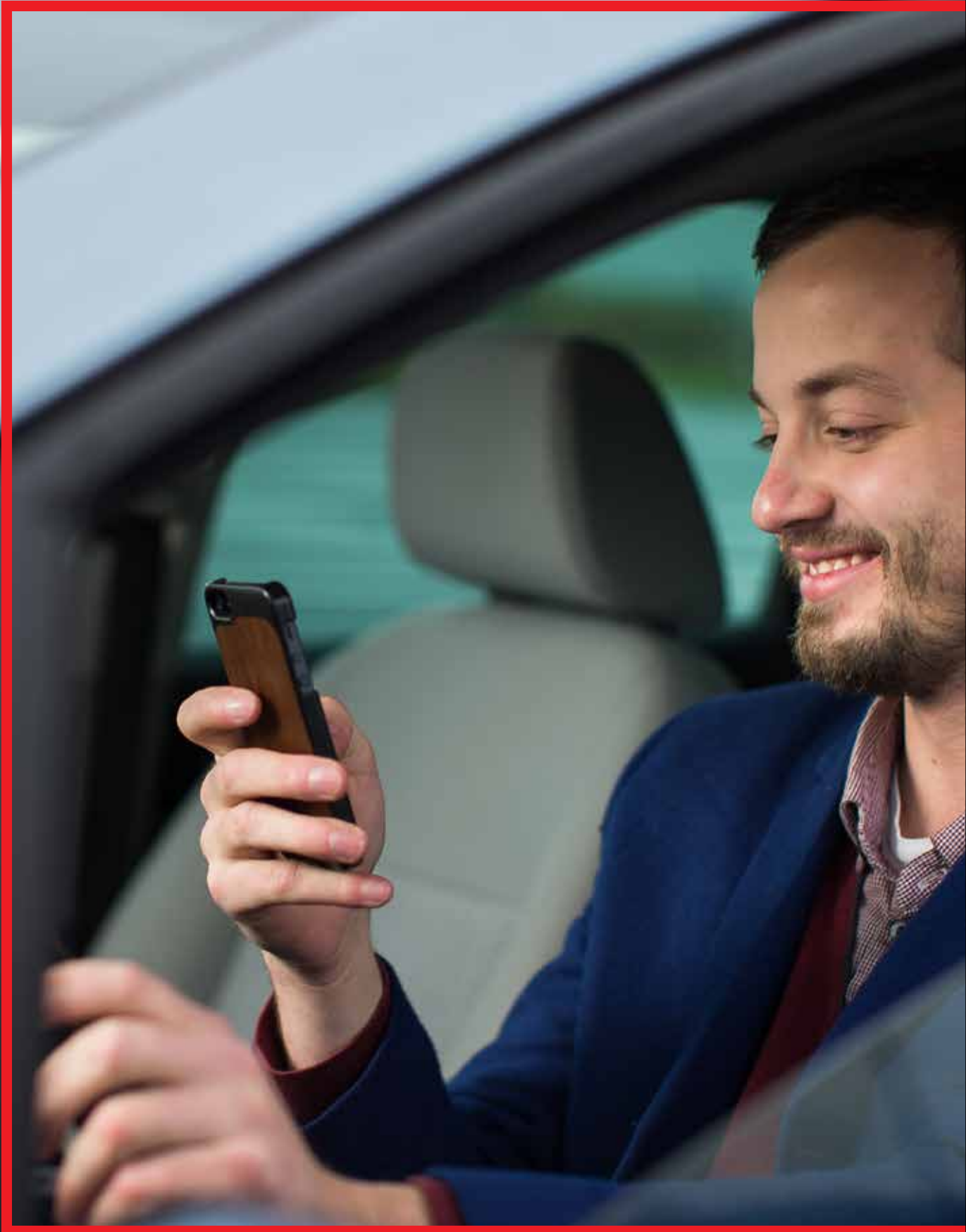
In 2018, non-life insurance industry generated premiums of TL 46 billion. This figure increased by 20% compared to the last year; but when adjusted for inflation, there is no growth in the industry.

Considering the performances in branches; the industry generated the premiums of TL 12.9 billion (up 16%) in the MTPL segment, TL 8.4 billion (up 12%) in the MOD segment, TL 7.0 billion (up 21%) in the fire and natural disasters

segment, TL 5.0 billion (up 24%) in the diseases and health segment, TL 4.7 billion (up 19%) in the general losses segment and TL 1.2 billion (up 3%) in the accident segment.

Due to the decline in vehicle sales and the increase in housing stock during the last period, it's expected that in 2019 prices will rise, instead of an increase in the number of policyholders, the primary growth driver for the industry. It's also expected that the industry will grow about 15%, in parallel with the projected inflation rate. It's believed that the MTPL branch will be the key driver of industry growth while the monthly regulative price increase of 1.5% will be extended into 2019, supporting growth in this branch.

The MOD branch is expected to show slower growth, compared to other branches, and remain below average industry growth, due to declining new vehicle sales. Meanwhile, it's believed that the health branch will grow more than 20%, in parallel with medical inflation and increasing penetration of supplemental health insurance plans. Other branches (non-health and non-motor) are expected to grow around 15%.



A man with short dark hair and a beard, wearing a blue collared shirt, is shown in profile from the chest up. He is looking down at a document or tablet that is out of focus in the foreground. The background is dark and indistinct.

Beyond Customer Focus

For us, everything starts with the customer. We asked them about their needs and expectations. We conducted in-depth interviews with customers. We differentiated our products based our understanding and their demands. **Supplemental MTPL Packages are one of the results of this approach.**

Assessment of Aksigorta's Operations in 2018

In 2018, Aksigorta outpaced the industry's growth rate by three-fold and aims to increase its market share and strengthen its market position further in the coming periods.

21%

The rate of return of Aksigorta's shares on the BIST 100 Index

18-20%

Aksigorta's premium growth target for 2019

8%

Aksigorta's market share target for 2019

Aksigorta is aware of the fact that technology is changing rapidly and companies that can adapt to changes will be able to make real progress. Accordingly, the Company aims to achieve lasting superiority by investing in technology and realizing its vision of making insurance easy, understandable and accessible. To this end, Aksigorta introduced the concept of Next-Generation Insurance in 2018, and established PURA, an innovation platform, in order to make insurance easy, understandable and accessible for everyone. Aksigorta is now carrying out its operations by looking through the eyes of the customer, and introducing its products in accordance with customer demand.

Bringing a new dimension to the industry with its customers-centric approach, Aksigorta became a source of inspiration for foreign companies with its Robot Transformation Project. In 2018, Aksigorta provided training to Etiqa, an insurance company based in Southeast Asia. Aksigorta achieved yet another first in the industry by introducing the AI application ADA, as part of the digital transformation process. The Company continues to invest in technology. Aksigorta closed the year 2018 with success after developing new products and projects. The Company plans to undertake innovative initiatives in the coming period as well.

In 2018, the insurance industry expanded by 20% while Aksigorta outpaced the industry's growth rate by three-fold, increasing its premium production by 30% to TL 3,417 million. During the period, Aksigorta expanded its MTPL branch by 95%, its marine branch by 56%, and its MOD branch by 9%. The company's stocks yielded 21% on the BIST 100 index.



Aksigorta increased its premium production by 30% to TL 3,417 million.

With a market share of 7.7%, Aksigorta ranks third in its sector. Aksigorta aims to achieve 18-20% growth in premium production while increasing its market share and strengthening its market position further in 2019.

Aksigorta utilizes technology in both cost management and process management. The Company undertakes efforts to make life easier for agencies and strives to integrate technology into the business processes of its agencies.

Adopting an innovation approach and methodology to transform into a company that goes beyond the norm, Aksigorta plans to launch new products in health, home and workplace insurance branches in 2019. Aksigorta will continue to heavily invest in technology and innovation in the coming periods. The Company plans to create personalized customer experiences by establishing end-to-end digital integration platforms.

Main Developments in 2018

Embracing the concept of next-generation insurance, Aksigorta is focusing its efforts on easy, understandable and accessible products and services. **Aksigorta is expanding beyond the boundaries of the insurance business and bringing a fresh perspective to the sector by looking through the eyes of the customer.**

28 thousand

Supplemental MTPL Policies

500

PURA interviews



The MT Program **helped Aksigorta acquire young talent who can adapt to the new conditions in the rapidly changing world.**

Aksigorta Innovation Platform PURA

Adopting an innovation approach and methodology, Aksigorta established PURA, an innovation platform. Approximately 100 employees have already joined this platform. After receiving training on the methodology of innovative thinking, the PURA team identified the main needs by speaking with agencies, customers, and also non-customers. To this end, the PURA team conducted approximately 500 interviews concerning MOD, health, home and workplace insurance products, and developed new value propositions through different perspectives. Aksigorta is getting ready to introduce new products in health, home and workplace insurance segments, which have been inspired by the ideas developed by PURA to attract non-customers specifically, in 2019.

Customer Focus

Aksigorta expands its product portfolio by taking a customer-centric approach. The Company conducts its business operations in accordance with customer needs in order to reach out to more customers. Putting customers at the center of its next-generation insurance strategy, Aksigorta asks customers about their needs and expectations in this category. In line with its goal of expanding the market and increasing the use of insurance, Aksigorta identified its target market as noncustomers. The Company conducted in-depth interviews with customers and launched "Supplemental MTPL Packages" as the first example of these efforts.

In just 2 months, Aksigorta sold approximately 28 thousand "Supplemental MTPL Packages," mainly in Istanbul, Ankara and Izmir, and generated TL 16 million in premiums. The Company aims to sell these plans to 1 million people by the end of 2019.

Main Developments in 2018

Aksigorta, aims to offer its customers a futuristic insurance experience.

The Company launched the first artificial intelligence application in the sector.

2 million

The number of planned transactions with ADA

30%

The rate of reduction in ClaimsChat application's process completion time



We achieved many firsts to take insurance "beyond boundaries" in the eyes of customers.

Aksigorta goes "Beyond"

In line with its new brand proposition, "Beyond," Aksigorta shifted its focus from the product to the customer. Accordingly, the Company is expanding the boundaries of the insurance business by looking through the eyes of the customer. The first commercial of the new advertising campaign, which was developed to communicate the new brand proposition, rolled out on November 21. Aksigorta shifted its focus from the content of the products and services to the needs and lives of its customers. The Company's image commercial communicates the slogan, "With Aksigorta, everything is beyond what you expect, because Aksigorta is always going beyond" and features the actor Ali Yağcı.

After this film, which was produced by Tribal Worldwide Istanbul, the next commercial introducing Aksigorta's "Supplemental MTPL Packages" has also been aired. The jingle

goes, "Ba bam bambaşka," and the campaign has been rolled out on TV, outdoor, press and digital media.

ClaimsChat Application

ClaimsChat application enables Aksigorta to respond to customers' queries about their claims via live chat. After receiving claim notices from customers, the application creates a WhatsApp group consisting of an expert, a file officer, service and customer representative for fast and transparent communication. The customer posts photographs of the damage/loss in the WhatsApp group. Then, the claim document is indexed automatically. The expert asks customers questions to create the report. The file officer shares claims and payment information with the group. When the process is completed, the AI executes a sentiment analysis of the conversation and sends the data to the CRM system.

Based on experience scores

of 1,500 customers, customer satisfaction score rose to 4.5 out of 5 since the launch of the project. Additionally, process completion time was reduced by 30%.

ADA (Aksigorta Digital Assistant)

Aksigorta aims to offer its customers a futuristic insurance experience through digitization of business processes. In line with its digitalization strategy, the Company launched the first artificial intelligence application in the sector. ADA (Aksigorta Digital Assistant) reduced the response time to respond to agency requests from 2 hours to 2 minutes. ADA is currently being used for 30 different processes across 6 departments. Aksigorta aims to execute 2 million transactions every year by using ADA, and eliminate routine operations from employees' job descriptions to direct them toward more value-added activities. The project is intended to increase employee and customer satisfaction as well as productivity; and it's also expected to improve operational efficiency significantly.

The natural language processing feature of ADA enables Aksigorta to use the application together with Robotic Process Automation (RPA) for unmanned, automated authorization processes. This feature also makes it possible to analyze HR processes in a fast and simple manner. Thanks to the image recognition technology, ADA can easily categorize files, a task that normally takes up a substantial amount of time in the insurance business. Aksigorta aims to actively use ADA in all insurance processes in the near future, by utilizing all AI elements and other technologies integrated with these elements.

ADA is able to process 5 thousand

e-mails daily with its "Image Recognition and Classification" feature. During its first four days of operation, ADA processed and categorized 3,258 documents sent by 1,938 e-mails, with a success rate of 98.4%.

Aksigorta aims to offer its customers a futuristic insurance experience through digitization of business processes. Therefore, the Company has been heavily investing in the RPA technology in the last 2 years. On August 1-2, Aksigorta hosted the "Ageas Robotic Workshop Event," bringing together 10 Ageas executives from other countries in Istanbul. The purpose of the event was to advise Ageas, Sabancı Holding's partner in Aksigorta, on robotics technologies. During the event, various workshops on robotic processes and technologies were held and action plans for the future were discussed.

Information Transfer from Aksigorta to Southeast Asia

Etiqa, an insurance company based in Southeast Asia, chose Aksigorta's RPA (Robotic Process Automation) solution to optimize its operational processes. Aksigorta initiated RPA in early 2017 and has been successfully using it for one year. Aksigorta's RPA team delivered training sessions on identifying and defining processes, and the effective use of RPA program Blue Prism, at Etiqa's headquarters in Singapore.

Having implemented the project in more than 20 processes over the past year, Aksigorta also provided support to Etiqa on automating the process of creating claims files with a virtual worker. Usually requiring an employee to work on two separate systems in a 20-minute process, the virtual worker was able to complete this

Constantly introducing new initiatives in IT and digitalization, **Aksigorta launched "Aksiyon."**

process in just 3 minutes. The team also provided technical support on how to perform 2 different operational processes with a virtual worker.

Aksigorta's "Aksiyon" Application

Constantly introducing new initiatives in IT and digitalization, Aksigorta launched "Aksiyon," a digital sales management application. Aksiyon mobile application, which is supported by state-of-the-art data analytics and a CRM system, was designed to serve the sales team both in the field and at the office. The activity management feature enables Aksigorta employees to create their monthly visiting programs in advance, and enter their visit notes in the system by either writing or voice typing. They can also access current production data and reports about their distribution channels wherever and whenever they want. Additionally, sales teams began using this application for forecasts and estimates, which are derived from the CRM system and AI applications that run on other data systems. As a result, they became able to manage their sales channels proactively.

Other remarkable features of the

Main Developments in 2018

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

Aksiyon application include instant notifications, MOD analysis, route planning to reduce the time spent in traffic, and navigation.

Combining CRM, mobile and AI technologies, Aksiyon application enables Aksigorta to get a 360-degree view of its customers, starting at the sales phase; understand them better; contact them directly; and thus deliver excellent customer service.

Big Data Behavioral Analytics and Visualization Laboratory (BAVLAB):

Aksigorta launched the "Initiative on the Discovery and Analysis of Big Data in Insurance," together with the "Big Data Behavioral Analytics and Visualization Laboratory (BAVLAB)," which was co-founded by Sabancı University and the Massachusetts Institute of Technology (MIT). Within the scope of this project, Aksigorta developed a conceptual model aimed at lost MOD customers, and achieved 83% success rate. In the agency channel, the Company achieved 1% progress, which corresponds to a premium value of TL 5 million from lost MOD customers. It's expected that the program will lead big data analytics and the development of new strategies in the insurance industry.

Management Trainee Program

Aksigorta initiated the Management Trainee Program to attract young talent, who can adapt to the new conditions in the rapidly changing world, and to create a talent pool in order to cultivate future leaders within its own ranks. Initially, 23 fresh university graduates participated in the program as management trainees. The MT Training Program, which consisted of 5 modules delivered over 5 months, was designed in a way

to strengthen the ties between the management trainees and Aksigorta as well as to improve their technical and personal skills. The MT Training Program is supported by Augmented Reality (AR), an experience-based learning technology, and a mini coaching program that aims to help participants take an internal journey to self-discovery. The modules enable the participants to actively affect each other's development through mutual learning methods.

Aksigorta Expanded Management Meeting

Aksigorta's traditional "Expanded Management Meeting" was held on November 24, 2018 with the participation of leaders and managers. At the meeting, which was organized at Sabancı Museum "The Seed," the participants evaluated the 2018 results for the industry and Aksigorta, the 2019 budget and targets, and economic projections. Bart De Smet, CEO of Ageas, Aksigorta's foreign partner, shared Ageas's strategy for 2021 with the participants.

Nearly 70 Aksigorta employees from relevant departments participated in a workshop, held at Sabancı Museum The Seed to discuss growth potential in non-motor branches in 2019.



After embracing the concept of Next-Generation Insurance, we focused our efforts on simple, understandable and accessible products and services. In keeping with our customer-oriented approach, **we plan to expand the boundaries of the insurance business and bring a totally different perspective to the sector.**





Beyond Digitalization

Utilizing technology effectively across all areas, we focused on digitalization efforts. We integrated our sales channels into the digital world. We offered our customers the conveniences of the digital world through unique applications. **This provided a transparent medium for resolving customer claims quickly.**

Human Resources at Aksigorta

Aksigorta aims to deliver the best experience to its employees through employee-centric HR practices, starting with the recruitment process. **To this end, Aksigorta offers development programs to increase talent engagement and spread the concept of next-generation insurance across Turkey.**



Aksigorta's most valuable asset is its employees, who enable the company to succeed in the insurance industry.

Achieving continuous development with its reliability, dynamism, and customer-oriented service approach, Aksigorta's most valuable asset is its employees, who enable the company to succeed in the insurance industry.

In accordance with its core values, the Company supports its employees with HR practices aimed at achieving employee engagement, cooperation and continuous improvement; and strives to create a work environment that encourages employees to realize their potential.

Talent Management

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

Aksigorta Human Resources Department ensures that the right people are placed in the right positions through competency-based interviews, personality inventories, aptitude testing, and development center practices during the recruitment process. After the hiring process, the Department organizes special development programs, such as the Management Trainee Program, for identified talent groups.

In addition to these programs, Aksigorta offers its employees internal career opportunities across the Sabancı Group companies as well as



In 2018, Aksigorta continued to use internal communication channels actively to listen to its employees, understand their needs, and share important developments.

overseas job opportunities in collaboration with its Belgium-based partner Ageas, and other opportunities such as mentoring and coaching in order to cultivate leaders within its own ranks and develop its human resources in the most productive manner possible.

Performance Management

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

Compensation

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

Training and Development

Taking a customer and employee-centric approach, the Training and Development Unit offers proactive solutions to training needs, in order to help employees realize their potential through self-improvement. The Unit designs development programs under 4 topics: "Initial Training," "Development Training," "Management Preparation Training," and "Management Training." Development Programs make

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

Internal Communication

Aksigorta uses internal communication channels actively to listen to its employees, understand their needs, and share important developments. The Internal Communication Unit strives to ensure that all employees internalize and uphold the Company's vision, mission and core values. The Unit also shares updated information about Aksigorta's strategy and insurance operations with the employees. Aksigorta encourages socialization and work-life balance among its employees, as well as participation in arts and sports activities, through its "Good Life Clubs." These activities include theater plays, sports clubs and various tournaments.

Board of Directors



Haluk Dinçer

Chairman of the Board of Directors
(Since July 2011)

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



Filip Coremans

Vice Chairman
of the Board of Directors
(Since February 2017)

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



Steven Georges Leon Braekeveldt

Board Member

(Since July 2011)

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



Hayri Çulhacı

Board Member

(Since July 2010)

Appointed as Assistant General Manager at Akbank in 1990, Mr. Çulhacı served as Assistant General Manager responsible for Corporate Communications, Investor Relations and Strategy, Consultant for the Chairman of Board of Directors, and an Executive Director at the Board of Directors, respectively. He is currently Vice Chairman of the Board of Directors and Chairman of the Audit Committee and Risk Committee at Akbank. Hayri Çulhacı is also a member of the Board of Trustees of the Sabancı Foundation and a member of the Board of Directors at Avivasa. Hayri Çulhacı graduated from the Faculty of Political Sciences at Ankara University and received his MBA at Northeastern University in the USA. Hayri Çulhacı is also a member of the Board of Trustees of Sabancı Foundation, And a member of the Board of Directors at AvivaSA.



Fuat Öksüz

Board Member

(Since March 2018)

Fuat Öksüz graduated from Boğaziçi University, Department of Business Administration in 1986. He began his professional career in the same year as audit assistant at the Istanbul office of Arthur Andersen, where he eventually became a partner. During his first 10 years at the firm, Mr. Öksüz worked as independent auditor and financial advisor. Later, he founded and managed the Outsourcing Department between 1999 and 2002 and served as head of the Management Consulting Department between 1996 and 1999. In 2003, he joined Ernst & Young Turkey as partner and worked there for one year. Mr. Öksüz joined Sabancı Holding in 2004 as Head of Audit; he also served as Chairman of the Ethics Council of Sabancı Holding. In December 2009, he joined Enerjisa, where he served as Co-CEO and CFO of Enerjisa Production and Trade companies for two years. Subsequently, he served as Head of Planning and Control (three years) and Head of Accounting, Reporting and Tax (three years) at Enerjisa Group. In 2018, Mr. Öksüz was reappointed Head of Audit at Sabancı Holding. Previously, he had also served as Member of the Advisory Board at the Turkish Accounting and Auditing Standards Authority and the Institute of Internal Auditing-Turkey.



Lütfiye Yeşim Uçtum

Independent Board Member

(Since October 2018)

Lütfiye Yeşim Uçtum began her professional career at Ernst & Young in 1986, working at the company's offices in Turkey and the US. Subsequently, she served as General Manager at Strateji Menkul Değerler; Assistant General Manager at Yapı Kredi Yatırım Menkul Değerler and Koçbank; Coordinator of the Finance Group at Koç Holding, respectively. From 2012 onward, Ms. Uçtum served as Independent Chairman and Board Member, Chairman and Member of the Audit and Corporate Governance Committees at various companies including Burçelik, Aviva Sigorta, Marshall Boya, and HSBC Bank between 2016 and 2018. Lütfiye Yeşim Uçtum graduated from Boğaziçi University, Department of Business Administration. Ms. Uçtum holds a CPA license. In October 2018, she was appointed Independent Board Member at Aksigorta, per a resolution of the Board of Directors. She also serves as Chairman of the Corporate Governance and Early Detection of Risk Committees, and Member of the Audit Committee.

Board of Directors



Emin Hakan Eminsoy
Independent Board Member
(Since March 2015)

Hakan Eminsoy started his professional career in 1985 at the Istanbul office of Arthur Andersen, and went on to work at the London office. Between 1989 and 2002, he assumed duties as executive and member of the Board of Directors at different levels in Finansbank Group companies. He joined OYAK Group after serving as General Manager at Fibabanka between 2000 and 2002. From 2002 to 2009, he served as member of the Board of Directors and General Manager at many Group companies, including OYAK Bank. After resigning from his position as General Manager at ING Bank Turkey in 2009, he founded Sardes Factoring in 2010, where he is still Chairman of the Board of Directors. Hakan Eminsoy is also Member of the Board of Directors at Erdemir Iron and Steel Factories and serves as consultant at AON (Turkey office). He graduated from Boğaziçi University, Department of Business Administration. Hakan Eminsoy is married and has one child.



Uğur Gülen
Board Member and General Manager
(Since May 2009)

Uğur Gülen obtained undergraduate and Master's degrees from Middle East Technical University, Department of Industrial Engineering. He began his professional career in 1991 and worked in various positions at Interbank, DenizBank, Ak Internet and MNG Bank over the years. Between 2004 and 2009, he served as Assistant General Manager at AkEmeklilik A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. He has been serving as General Manager and Board Member at Aksigorta since May 2009.

Board of Auditors

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

Emin Hakan Eminsoy

Chairman of the Audit Committee
(Independent Board Member)

Lütfiye Yeşim Uçtum

Member
(Independent Board Member)

Corporate Governance Committee

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

The Corporate Governance Committee is responsible for making recommendations to the Board of Directors at Aksigorta A.Ş. to ensure compliance of the corporate governance principles of the Company with the Corporate Governance Principles established by the Capital Markets Board and

any other internationally recognized corporate governance principles. The Committee also makes recommendations to introduce and implement such principles, monitors compliance of the Company with such principles, and conducts improvement efforts in these areas.

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

Lütfiye Yeşim Uçtum

Chairman of the Corporate Governance Committee

Steven Georges Leon Braekeveldt

Member

Osman Akkoca

Member

Ayşegül Gürkale

Member

Early Detection of Risk Committee:

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

Lütfiye Yeşim Uçtum

Chairman of the Early Detection of Risk Committee

Steven Georges Leon Braekeveldt

Member

Executive Board



Uğur Gülen

Board Member and General Manager

(Since May 2009)

Uğur Gülen obtained undergraduate and Master's degrees from Middle East Technical University, Department of Industrial Engineering. He began his professional career in 1991 and worked in various positions at Interbank, DenizBank, Ak Internet and MNG Bank over the years. Between 2004 and 2009, he served as Assistant General Manager at AkEmeklilik A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. He has been serving as General Manager and Board Member at Aksigorta since May 2009.



Osman Akkoca

Assistant General Manager - Financial Affairs

(Since January 2017)

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



Fahri Altıngöz

Assistant General Manager - Corporate Technical, Sales, Legal and Reinsurance

(Since September 2018)

Fahri Altıngöz graduated from Middle East Technical University, Department of Statistics. He worked as the Founding General Manager of TEB (Zurich) Insurance Company, between 1997 and 2005. In 2005, Mr. Altıngöz rejoined Aksigorta Insurance Company and worked as Assistant General Manager responsible for Claims and Recovery; Corporate, Marketing, Health Insurances, Risk Management and Reinsurance, respectively. Mr. Altıngöz is currently working as the Assistant General Manager Responsible for Corporate Sales, Corporate Relations, Corporate Legal and Reinsurance. He has been the Chairman of Insurance Practitioners Association since 2002, and a Board Member of Agricultural Insurance Pool (TARSIM) since 2009. Mr. Altıngöz is also a member of International Investors Association of Turkey Insurance and Pension Working Group (YASED) and member of the insurance working group of Turkish Industry and Business Association (TUSİAD).



Ayşegül Gürkale

Assistant General Manager - Human Resources, Purchasing and Administrative Affairs

(Since August 2017)

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



Metin Demirel

**Assistant General Manager –
Technology, Digital and
Individual Technical**

(Since September 2018)

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



Tolga Okan Tezbaşaran

**Assistant General Manager –
Retail Sales and Marketing**

(Since November 2016)

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



Soner Akkaya

**Assistant General Manager –
Claims Customer Experience**

(Since January 2017)

Mr. Soner Akkaya graduated from Yıldız Technical University, Department of Civil Engineering. He worked as an auditor at Interbank between 1998 and 2002, and later as Assistant Manager at Tekfenbank between 2003 and 2005. From 2005 to 2011, he worked as Audit Manager at Sabancı Holding, and as Head of Internal Audit at Aksigorta between 2011 and 2017. Mr. Akkaya has been serving as Assistant General Manager of Claims Customer Experience since January 1, 2017.



Esra Öge

**Assistant General Manager –
Strategy and Transformation**

(Since June 2018)

After graduating from Yıldız Technical University, Department of Mathematical Engineering, Esra Öge earned her Master's Degree in Economics and Finance from Boğaziçi University. She began her professional career in 2006 in the Risk Management Department of Hacı Ömer Sabancı Holding, where she worked as a Risk Management Specialist until 2010. On 20 September 2010, Ms. Öge joined Aksigorta as Risk Management and Actuarial Specialist. Later, she held management positions at Strategic Project Management, Bank Insurance, Digital and Customer Experience, and Corporate Communications departments, respectively. From 2015 to 2018, she worked as Manager of Strategic Planning Department. Esra Öge was appointed as Assistant General Manager responsible for Strategy and Transformation in June 2018.

Corporate Governance Principles Report

Aksigorta adopts four main principles of Corporate Governance which are transparency, fairness, responsibility and accountability. Aksigorta (Company) implements all mandatory principles of CMB Corporate Governance Principles. However, some non-mandatory principles could not be fully complied due to the difficulties in implementation practice of these principles, ongoing debates on some of these principles, some mismatching between the market conditions and these principles. We are pursuing the developments on these issues and following compliance opportunities.

In 2018, we disclosed all useful information to shareholders, investors and analysts for their investment decisions with transparent, consistent and timely manner via Investor Relations announcements on corporate web site, Public Disclosure Platform, Investor meetings and conferences to keep the continuous and effective communication with the investors and the analysts. Also, we were complied with all regulation on this subject.

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

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

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

SECTION I – SHAREHOLDERS

1.1. Investor Relations Department

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

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

Elif Horasan, Financial Control Department Manager, Investor Relations Head
Yasin Alp Aluç, Investor Relations Manager

Activities of Investor Relations team are as listed as below:

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

- coordinating the annual General Assembly Meeting,
- stating the compliance report for CMB Corporate Governance Principles,
- reviewing the research report about the Company,
- reporting the performance of the Company stock

Investor Relations team held face to face talks with institutional investors 8 times at the head office of the Company, 15 times at abroad conferences and 32 times on conference calls totaling 55 times in 2018 to share information about the Company and the insurance industry and to respond their questions.

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

1.2. Right to Obtain Information

Any information concerning the shareholders and investors, which has been already disclosed to public, is published on the official web site of the Company. Contact information of investor relations team is also available on official web site for using shareholders' and investors' rights to receive information. Requests of the shareholders and investors for information of any kind which is not in nature of a trade secret and which has been already disclosed to public are considered and fulfilled by the Investor Relations

team carefully and unerringly in a manner to reflect the whole truth in a short time. They are invited via e-mail and by the announcement on the official web site for the conference calls at each quarter, who wants to follow the company closely and send an e-mail address.

The Articles of Association of the Company does not govern appointment of a special auditor as a right. No request in this regard was received from the shareholders in 2018.

1.3. General Assembly Meeting

One annual General Assembly Meeting was held in 2018. General Meeting was held on March 14th 2018 at 15:00 at the address of Istanbul, Beşiktaş, 4. Levent, 34330, Sabancı Center, Sadıka Ana Meeting Hall. Attendees of the General Meeting represented 78.8% of the total shares. There were no attendees from the press or any other stake holders other than shareholders. The shareholders didn't use their right to ask questions or propose new agenda item during the General Meeting.

Board of Directors had invited the shareholders to the General Meeting as explained in the Commercial Code, CMB Communiqués and Articles of Association. The decision of Board of Directors for holding the General Meeting was

publicly disclosed on PDP (Public Disclosure Platform) and Central Registry Office. At least three weeks before, General Meeting invitation and information letter was disclosed on the official web site for the shareholders' and investors' information. The annual report also containing the audited financial statements of 2017 was submitted at the Head Office and on the official web site of the Company for the inspection of the shareholders, at least three weeks before General Meeting. It was possible for shareholders to attend the General Meeting both physically in the meeting hall and electronically on EGKS (Electronic General Meeting System).

In the General Meeting; Board of Directors' Annual Report, Auditor's report and Financial Statements were reviewed and discussed, members of the Board of Directors and Auditors were released regarding their activities in 2017, Board's proposal for TL 110,160,000 dividend pay-out out of TL 126,986,683 annual net profit was approved, board members are elected, Board's proposal for auditor election in 2018 was approved, brief information about the donations in 2017 was released and donation limits of the Company for the year 2018 was determined, permission granted to the Chairman and members of the Board of Directors to execute the transactions noted in Articles 395 and 396 of Commercial Code.

Corporate Governance Principles Report

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

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

1.4. Voting Right

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

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

1.5. Minority Rights

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

Aksigorta cares about the minority rights as regulated in Commercial Code and CMB communiques and no complaint or critic is received in 2018 for that case.

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

1.6. Dividend Receiving Right

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

We distributed TL 0.36 gross dividend per share to the shareholders in 2018.

1.7. Transfer of Shares

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

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Official Web Site

The Company has the official web site at the following address: www.aksigorta.com.tr Information for the shareholders and the investors is available under the "Investor Relations" heading on the official web site both in Turkish and in English.

Under this heading, there are several pieces of information such as;

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

2.2. Annual Report

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

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

SECTION III – STAKEHOLDERS

3.1. Informing the Stakeholders

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

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

Employees of the Company are informed through meetings, seminars and training courses and with information sent via the portal application and the Internet in their fields of specialty and on the issues, they are involved in general.

Our distribution channels are informed about the practices and procedures of the Company through announcements made by means of circulars published on the web site of the Company at www.aksigorta.com.tr under the page of "Special to Agents," as well as traditional and regional agent meetings, preliminary and technical training sessions and via electronic mails periodically.

Corporate Governance Principles Report

As being the Joint Venture of Sabancı and Ageas Insurance who are operating globally, Aksigorta respects and cares about laws and contracts. Company totally cares about the payment of rights and receivables of the employees from sign date to the resign date.

Stakeholders could directly contact to the Board Committees or the Ethic Rule Consultant by filling out the communication form on the official web site, in case Company has any operation or transaction which is contrary to laws or ethics.

3.2. Participation of Stakeholders in the Management of the Company

Participation of the employees in the management is ensured through periodic meetings. The executive meeting is attended by executives from the regional offices and the departments. Meetings held at the departments tend to support the executive meetings. In addition, information about the practices, policies and targets is transmitted to all employees in groups and views of the employees are received through information exchange meetings, so that their participation and contribution needed for efficient management of the Company is ensured. Annual performance assessment meetings are held with the employees.

In the meetings, the employees are given feedback about their performance and the opportunity to express their views and expectations. Through the regional agency meetings, developments in the insurance industry and the changing competition environment are shared with the agents. In these meetings, through the practice of Free Platform, the agents who come together with local and central executive units express their current problems. In this way, Aksigorta receives feedback about the current policies and considers the views of the agents in the establishment of the strategies of the Company.

3.3. Human Resources Policy

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

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

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

Creating and maintaining a fair working environment is one of the basic codes of ethics in Aksigorta. In 2018, there is no complaint from employees about discrimination in Aksigorta.

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

3.4. Customer and Supplier Relations

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

Transparency

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

Accessibility

Customers and suppliers of Aksigorta could connect to the company via Call Center numbered 444 27 27 or all other communication channels on a 24/7 basis for their complaints, requests and questions.

Responsiveness

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

Objectivity

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

Fee

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

Privacy

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

Customer Focus

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

Accountability

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

Continuous Improvement

As being one of the most powerful companies in the market, Aksigorta continues making investments and improves all insurance services

offered to provide more quality insurance service and give the right consultancy to its customers and suppliers.

Fast and Efficient Solution

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

Profession

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

3.5. Ethical Rules and Social Responsibility

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

The fact that risk and insurance awareness is at very low level indicates that it is necessary to raise the awareness of the public about the insurance products in the first instance to develop the insurance industry. In all corporate social responsibility activities and all events conducted, Aksigorta

Corporate Governance Principles Report

focuses on raising the risk and insurance awareness in all segments of the society, primarily among children and women, against fatalistic mentality of the Turkish people. For Aksigorta, which has targeted to add plus value to the society by realizing many awareness rising and education projects since the very date of its establishment, Social Responsibility is one of the most important constituents of the corporate culture.

In cooperation with AKUT, the Search and Rescue Society, which is one of the most efficient non-governmental organizations of Turkey in the field of natural disasters and search and rescue operations, Aksigorta launched in 2010 the project called "Hayata Devam Türkiye" [Keep Living, Turkey] which is a traveling educational project comprising Turkey's first 3G-Force Earthquake Simulator which travels all over Turkey with the aim of creating and raising awareness of natural disasters. The project, which aims at creating and raising the awareness of Turkish people about the insurance and has been planned to last 5 years, was completed the fifth and the last step in 2014. The project "Keep Living, Turkey" visited 52 provinces and 174 sub-provinces and met

5.4 million people in five years. During this valuable project; 60 thousand kilometers were driven, 700 thousand students were educated, 1,400 thousand people were informed with the simultaneous studies on the social media.

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

Apart from the project "Keep Living, Turkey," another project of Aksigorta is YADEM, the Fire and Earthquake Education Center. YADEM, which has been built with the support of the late Sakıp Sabancı entirely with the Turkish technology and which is a rare example of its kind in the world, was established in 1996, before the Marmara Earthquake in 1999. In the center, which has the "best"

quality according to the level of technology in those years, the fire and earthquake simulators built on advanced technology are introduced to the children as a first application of its kind. Aksigorta donated YADEM, where 15 thousand children at age 7-14 receive training by means of simulations each year, to the Science Center of Şişli Municipality in 2006 to offer the services of the center to a wider public. After the termination of Science Center of Şişli Municipality in 2015 YADEM was donated to Science Center of İstanbul Technical University.

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

SECTION IV – BOARD OF DIRECTORS

4.1. Functions of the Board

Aksigorta Board of Directors; monitor the compliance of the company activities with the legislation, Articles of Association, internal regulations and the

policies, represent and chair the company with strategic decisions while considering the risk, growth and returns of the Company and the long-term targets of the Company.

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

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

4.2. Operating Principles of the Board of Directors

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

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

4.3. Structure of the Board

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

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

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

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

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

Haluk Dinçer, Chairman,
Non-executive Member
Filip Coremans, Deputy Chairman,
Non-executive Member
Hayri Çulhacı, Non-executive
Member
Stefan Georges Leon Braekeveldt,
Non-executive Member
Fuat Öksüz, Non-executive
Member
Emin Hakan Eminsoy, Independent
Member, Non-executive Member
Lütfiye Yeşim Uçtüm, Independent
Member, Non-executive Member
Uğur Gülen, Executive Member
and CEO

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

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

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

Corporate Governance Principles Report

4.4. Structure of Board Meetings

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

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

Board of Directors had totally 20 meetings in 2018; 4 times face to face meetings, 16 times by written approvals as released in Commercial Code and Articles of Association. Attendance in person of the members without an excuse at the meetings of the Board of Directors held in 2018 was ensured. Board of Directors' meetings and decision quorums are subject to the provisions of Turkish Commercial Code.

Each board member has single and equal vote right in the board meetings. Board of Directors' decisions are approved with consensus and aligned with Corporate Governance Principles. There were no additional queries about the agenda items from the Board members so no matter was materialized. At the meetings held in 2018, no different opinion against the resolutions taken was expressed by the Members of the Board of Directors and all the decisions were written consent.

In 2018 none of the Board members trade with the Company and compete with the Company in the same business.

4.5. Board Committees

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

Audit Committee

The Audit Committee, which is responsible for assisting the Board of Directors in its audit and supervision activities, oversees operation and adequacy of the internal systems and the accounting and reporting systems. The committee had 5 meetings in 2018.

Members:

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

Lütfiye Yeşim Uçtum - Member (Independent Member of the Board)

Corporate Governance Committee

The Corporate Governance Committee has been established with the aim of performance of the duties and responsibilities of the Board of Directors in a sound manner. The Corporate Governance is a governance

process of Aksigorta A.Ş. targeting a sustainable success based on ethical rules, responsible toward internal and external parties, having risk awareness, being transparent and responsible in its decisions, observing the interest of its stakeholders in compliance with the Corporate Governance Principles established by the Capital Market Board. Objective of the Corporate Governance Committee is to propose recommendations to the Board of Directors with a view to ensuring compliance of the corporate governance principles of Aksigorta A.Ş. with the Corporate Governance Principles established by the Capital Market Board and other internationally recognized corporate governance principles, ensuring implementation of these principles and monitoring the compliance of the Company with these principles and carrying out improvement works on such matters. Committee had 4 meetings in 2018.

Members:

Lütfiye Yeşim Uçtum - Chairman (Independent Member of the Board)
 Stefan Georges Leon Braekeveldt, Member (Board Member)
 Ayşegül Gürkale, Member (HR Assistant General Manager)
 Osman Akkoca, Member (CFO)

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

Early Detection of Risk Committee

It conducts works for the purposes of early detection of risks which may endanger existence, growth and continuation of the Company, implementation of the necessary measures and remedies taken against the detected risks and management of the risk. The Committee evaluates the situation, points out to the dangers, if any, and indicates the remedies in the report to the Board of Directors. The report is sent to the auditor as well. It reviews the risk management systems at least once a year. Committee had 6 meetings in 2018.

Members:

Lütfiye Yeşim Uçtum - Chairman
 Stefan Georges Leon
 BRAEKEVELDT – Member

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

4.6. Financial Rights of the Board Members and Executive Directors

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

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

Information about Transactions the Company Enters into with Members of Its Own Risk Group

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

The conclusion reached in the report dated 08.02.2019 prepared by the Board of Directors of Aksigorta A.Ş. is, to the best of the Board's knowledge of the circumstances and conditions at the time that a transaction took place or a measure was taken or refrained from, in each and every transaction which Aksigorta A.Ş. entered into with its controlling shareholder or with any of the affiliates of its controlling shareholder during 2018, that an appropriate mutual performance was achieved, that there were no measures taken or refrained from which might have caused the company to suffer a loss, and that there were no such transactions or measures whose consequences need to be offset.

Financial Information and Risk Management

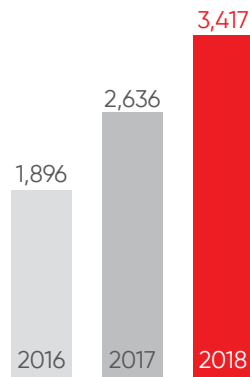
In 2018, Aksigorta sustained operational growth, thanks to increased premium production.

Financial Position, Profitability and Solvency

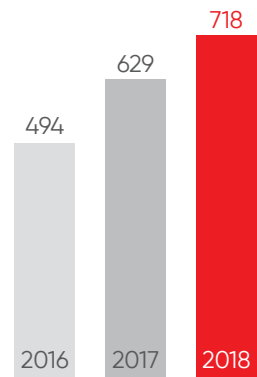
With a solid financial structure that included TL 718 million in shareholders' equity at end-2018, Aksigorta is one of the leading companies in the Turkish insurance sector.

Continuing to grow upon sustainable profitability, Aksigorta posted a net profit of TL 228 million.

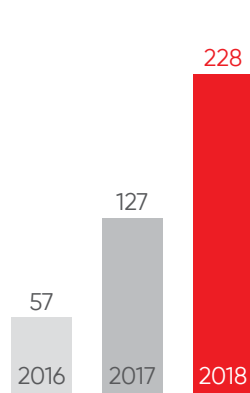
Premium Production (TL Million)



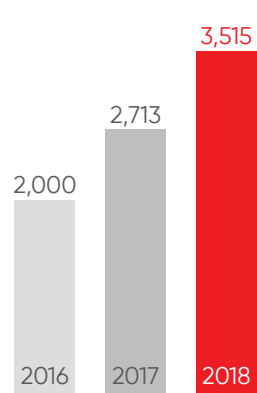
Shareholders' Equity (TL Million)



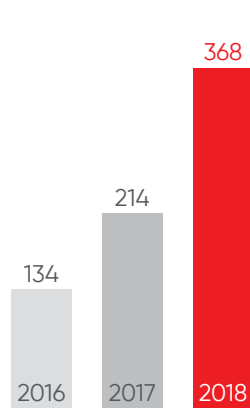
Net Profit (TL Million)



Total Assets (TL Million)



Technical Profit (Technical Part Balance)



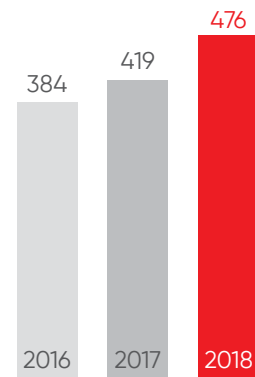
Financial Information and Risk Management

Aksigorta recorded successful financial results as of year-end 2018.

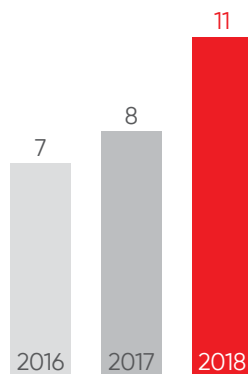
Retention Ratio (Non-Life) (%)



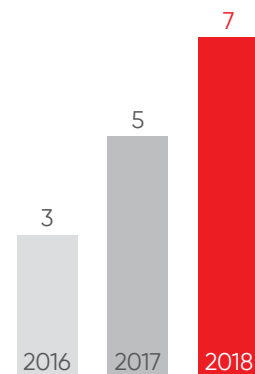
Written Premiums/Shareholders' Equity (%)



Technical Profit (Technical Part Balance)/Written Premiums (%)



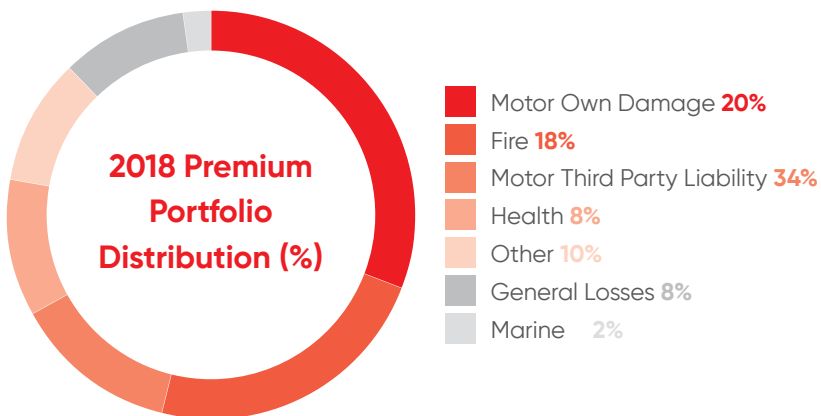
Net Profit/Written Premiums (%)



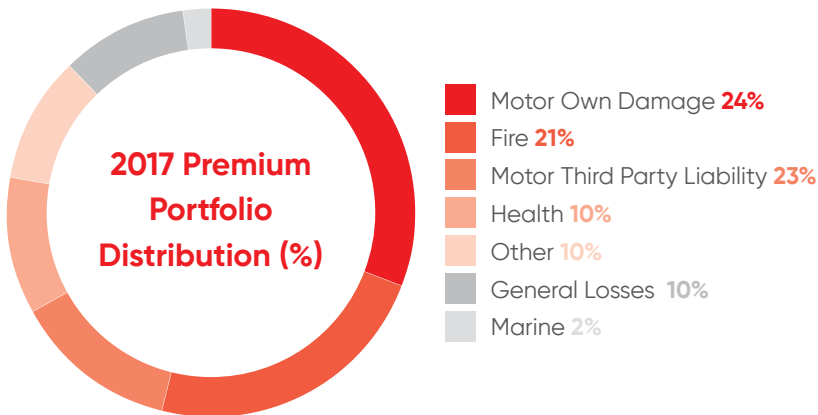
In 2018, the Company recorded premium production of TL 3,417 million. A breakdown of premiums by business line during the most recent two years is shown below:

Breakdown of Premiums by Business Line

(TL Thousand)	Premiums Written			Distribution (%)	
	2017	2018	Change 17/18 (%)	2017	2018
Fire	551,331	603,475	9	21	18
Marine	48,225	75,241	56	2	2
Motor Own Damage	641,095	697,319	9	24	20
Motor Third Party Liability	615,464	1,148,315	87	23	34
Other	266,338	329,981	24	10	10
General Losses	254,447	268,340	13	10	8
Health	258,675	274,668	7	10	8
Total	2,635,576	3,417,338	30	100	100



**As of end-2018,
59% of generated
premiums (amounting
to TL 2,001 in value)
were retained by the
Company.**



As of end-2018, 59% of generated premiums (amounting to TL 2,001 million in value) were retained by the Company.

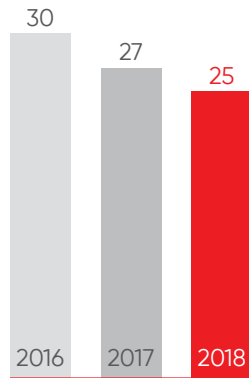
The charts below show the amounts and relative percentages of produced premiums that were retained by the Company during the most recent two years, broken down by business line:

(TL Thousand)	Retained Premiums		Retention Ratio	
	2017	2018	2017	2018
Fire	150,707	149,448	27	25
Marine	20,988	27,722	44	37
Motor Own Damage	639,853	692,915	100	99
Motor Third Party Liability	487,011	884,797	79	77
Other	86,007	89,004	32	27
General Losses	85,899	77,946	34	27
Health	86,820	79,427	34	29
Total	1,557,285	2,001,259	59	59

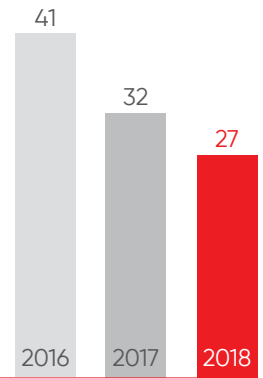
Financial Information and Risk Management

Retention Ratio (%)

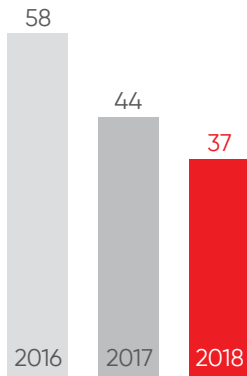
Fire



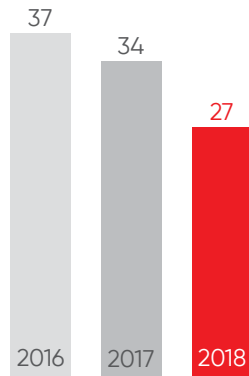
Other



Marine



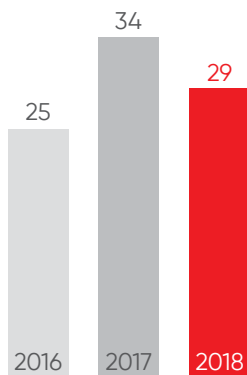
General Losses



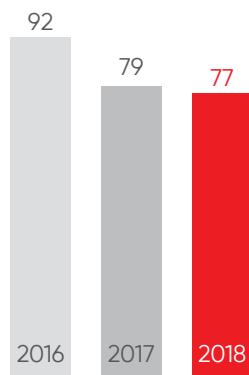
Motor Own Damage



Health



Motor Third Party Liability



Total



As of end-2018, Aksigorta retained TL 1,824,383 in premiums which it had earned in the non-life branch. Meanwhile, the Company's share of incurred non-life claims amounted to TL 1,341,357. During the reporting year, the ratio of incurred non-life claims to earned premiums (net) was 74%. The charts below show the amounts and relative percentages of the Company's incurred claims and earned premiums during the most recent two years, broken down by business line:

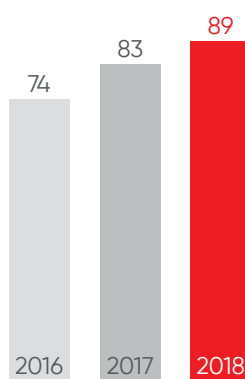
(TL Thousand)	Claims Incurred (Net)		Earned Premiums (Net)		Claims Incurred/ Earned Premiums (Net) (%)	
	2017	2018	2017	2018	2017	2018
Fire	63,294	68,471	141,131	147,251	45	46
Marine	4,989	8,752	20,066	27,376	25	32
Motor Own Damage	500,330	595,937	601,472	670,580	83	89
Motor Third Party Liability	223,955	598,919	291,773	726,263	77	81
Other	35,448	58,862	135,861	145,121	26	41
General Losses	10,551	12,537	20,873	21,777	51	58
Health	3,636	6,878	71,370	86,471	5	8
Non-Life Total	842,203	1,341,357	1,282,546	1,824,838	66	74

Claims Incurred/Earned Premiums (Net) (%)

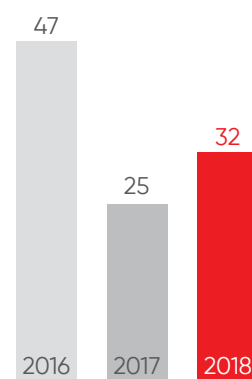
Fire



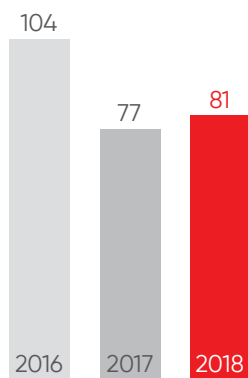
Motor Own Damage



Marine



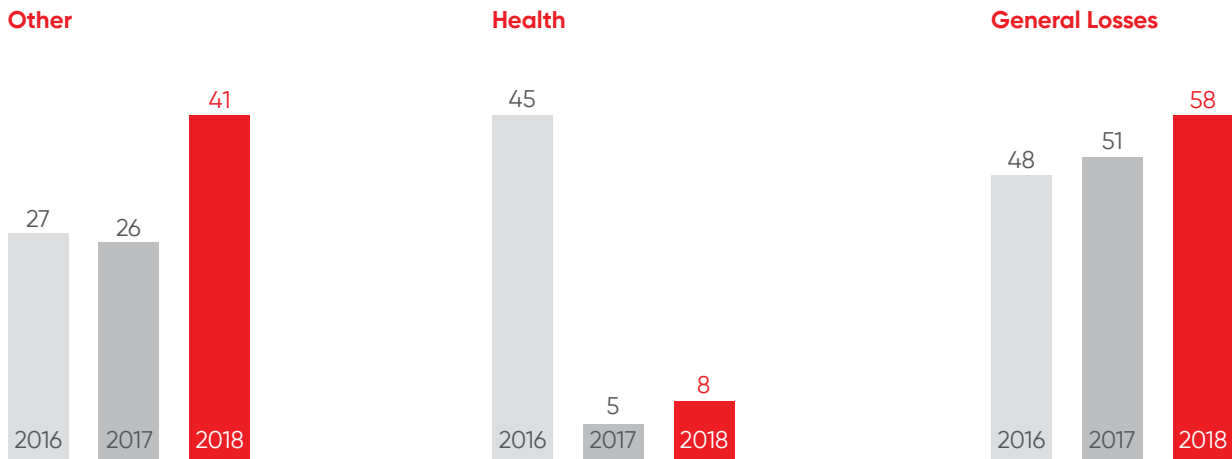
Motor Third Party Liability



**As of end-2018,
Aksigorta retained
TL 1,825 in premiums
which it had earned
in the non-life branch.**

Financial Information and Risk Management

Claims Incurred/Earned Premiums (Net) (%)



Technical Profit Balance

At end-2018, Aksigorta posted total technical profit of TL 3679 million. The charts below show the amounts and relative percentages of the Company's technical profit during the most recent two years, broken down by business line:

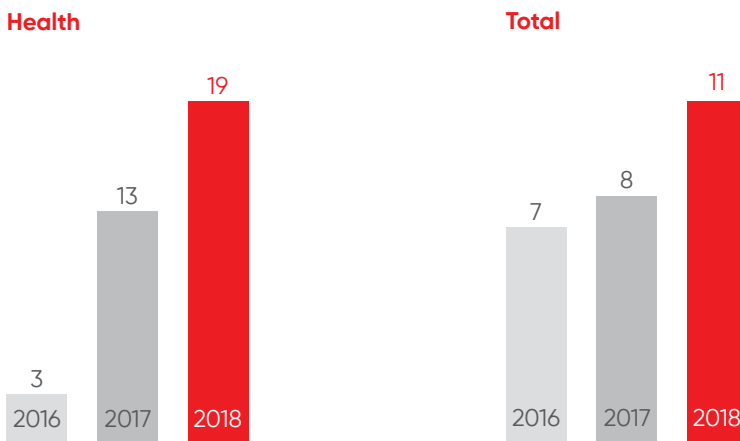
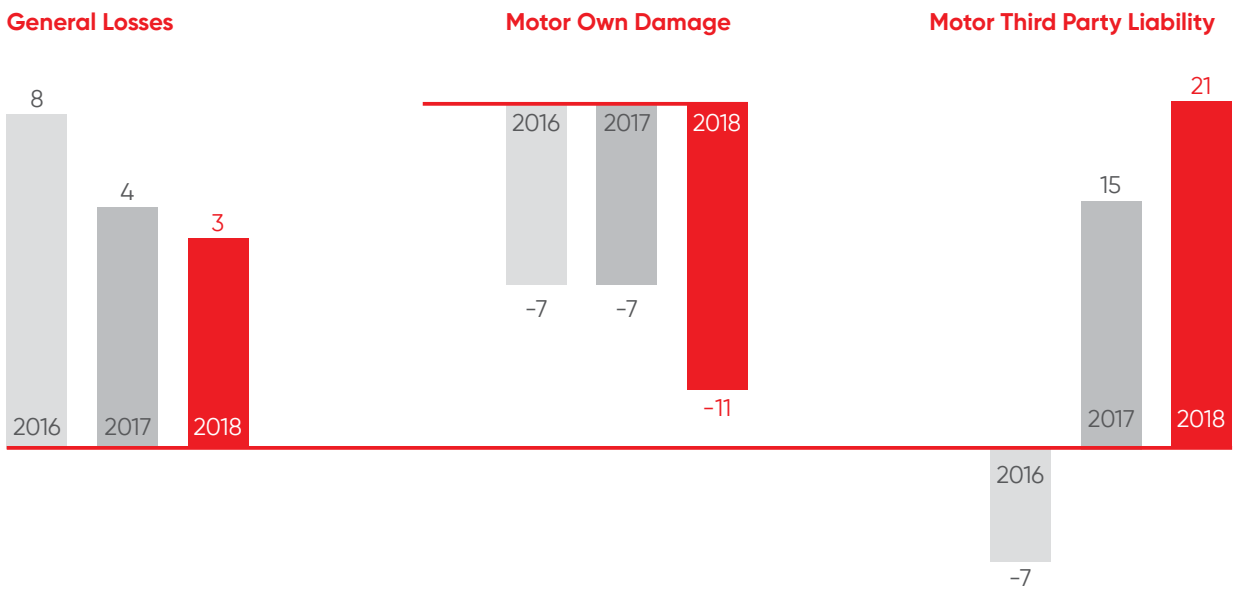
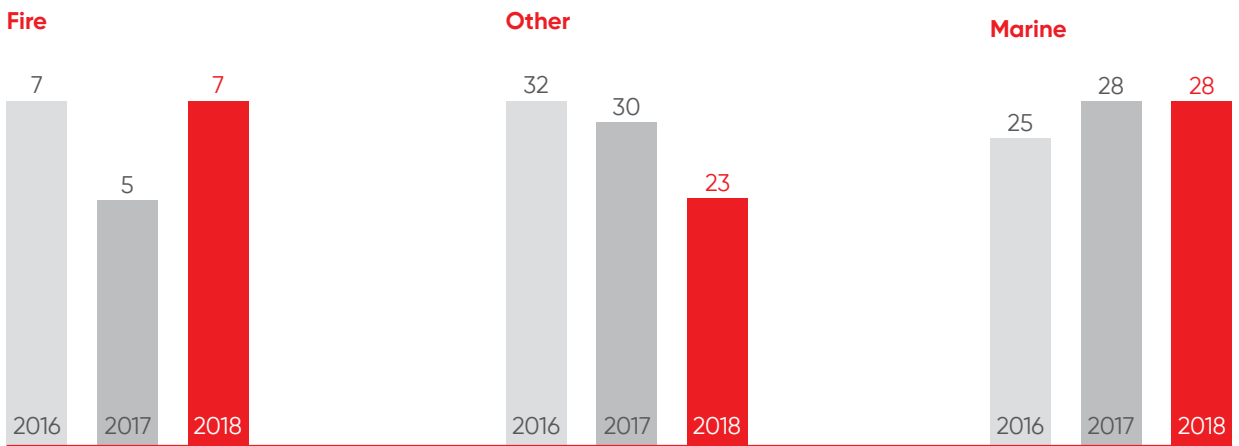
General Technical Profit Balance

(TL Thousand)	2017	2018
Fire	28,411	42,721
Marine	13,292	21,296
Motor Own Damage	-42,912	-79,601
Motor Third Party Liability	90,194	245,860
Other	80,966	76,240
General Losses	10,969	7,719
Health	33,365	59,698
Total	214,285	367,934

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

	2017	2018
Fire	5	7
Marine	28	28
Motor Own Damage	-7	-11
Motor Third Party Liability	15	21
Other	30	23
General Losses	4	3
Health	13	19
Total	8	11

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



Financial Information and Risk Management

In 2018, Aksigorta reported about TL 641 million in investment income in addition to the earnings generated by its insurance business. The Company's investment income during the most recent two years is shown below:

Investment Income (TL Thousand)	2017	2018	Change (%)
Foreign Exchange Gain	111,807	314,167	181
Income from Financial Investment	140,319	226,794	62
Real Estate Income	0	0	0
Income from Derivatives	30,329	99,961	230
Other Investment Income	0	0	0
Total Investment Income	282,455	640,921	127

Based on all of these technical and financial results, Aksigorta booked profit before tax of TL 294 million in 2018. The Company's shareholders' equity amounted to TL 718 million at end-2018. The breakdown of shareholders' equity items during the most recent two years is shown below:

Shareholders' Equity (TL Million)	2017	2018	Change (%)
Paid-in Capital	306	306	0
Nominal Capital	306	306	0
Profit and Capital Reserves	110	98	-11
Previous Years Income Loss	86	86	0
Net Profit of the Period	127	228	79
Total Shareholders' Equity	629	718	14

At end-2018, Aksigorta's principal investments amounted to TL 561 million in value. Developments in the Company's investments during the most recent two years are shown below:

Investments (TL Thousand)	2017	2018	Change (%)
Financial Assets and Investments with Risks on Policyholders	519,507	559,874	8
Affiliates	-	-	-
Properties	1,679	1,599	-5
Total Investments	521,186	561,472	8

Aksigorta's equity shares and their book value as of year-end 2018 are shown below:

Affiliates	Share (%)	Value (Thousand TL) 2018 Year-end
Merter BV	25	0

Quality Policy and Quality Management Systems

Our Quality Policy

As a strong, reputable and trustworthy company together with our agents, employees and suppliers, we are committed to provide quality service and continuous improvement of our services by prioritizing customer satisfaction in line with our vision, mission and values and in conformance with national and international laws, regulations and standards regarding insurance business.

Quality Management Systems

Aksigorta is committed to providing quality service to its customers, business partners, stakeholders and employees. To this end, Aksigorta established the quality assurance system and obtained BS EN ISO 9001:1994 Quality Standard Certification from BVQI (Bureau Veritas Quality International) in 1998. The Quality Management System standard was updated according to changing customer needs and current conditions. Subsequently, ISO 9001:2015 Quality Management System was published in 2015. Aksigorta adapted its existing systems to the updated version.

Embracing a customer-focused approach, Aksigorta aligned its customer relationship management system with international standards and established the ISO 10002:2015 Customer Complaints Management System.

Risk Management and Internal Control System

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

In accordance with the prior mentioned article, internal control and risk management activities are conducted by the "Internal Control and Risk Management Department."

Internal Control

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

In fact, each business unit is individually responsible for internal control, which serves as the first line of defense. Business units are also responsible for controlling the transactions which they are authorized to perform. The Internal Control Unit undertakes coordination activities in order to ensure efficient internal control throughout business units. Accordingly, all business processes and their control points have been identified and are being followed up through a proactive internal control system.

In 2018, the Internal Control Unit conducted its activities according to the Internal Control Plan to maintain the efficiency/productivity of business units/processes, and to ensure legal compliance. The actions that are taken to offset risks and deficiencies in controls are efficiently monitored by the Internal Control Unit.

Compliance

The Compliance Unit conducted its activities in order to comply with insurance-related and other laws and regulations that the company is subject to, under the Internal Control and Risk Management Department transferred to the Corporate Legal Unit responsibilities in 2018. The unit is primarily responsible for ensuring the compliance with all related Laws and regulations. Announcing new/amended laws and regulations to company, determining and monitoring actions that need to be taken in order to comply with these laws and regulations are also under the Compliance Unit's responsibility.

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

Notable Changes in Regulations – 2018

Resolution 32 on the Protection of the Value of Turkish Currency published on the August 11, 1989 edition of the Official Gazette number 20249

According to this regulation, people residing in Turkey, when entering into contractual relationship may not designate contract price and other payments obligations in foreign currency, or in any amount indexed to foreign currency, for buying and selling of movables or immovables, in all kinds of renting and leasing of movables and immovables, including vehicles, and services and works, save the cases decided by the ministry.

Besides, the regulation orders that all prices specified in contracts that cannot be executed in foreign currency should be completed in Turkish liras. However contracts which were executed before September 13, 2018 and detailed in the law are exempt from this regulation.

Changes in terms of Law on Protection of Personal Data;

Guidelines

Regulation on the Promotion and Job Title Change for the Staff of the Protection of Personal Data Authority; May 5, 2018:

Procedures and principles have been regulated in relation to the Promotion and Job Title Change for the Staff of the Protection of Personal Data Authority.

Organizational Guidelines of the Protection of Personal Data Authority; April 26, 2018:

The organizational structure of the Protection of Personal Data Authority and duty, power and responsibility and work procedures and principles of the service departments have been regulated.

Protection of Personal Data Supervisors Guidelines; February 9, 2018:

Procedures and principles for the instatement of Protection of Personal Data Supervisors and duty, power and responsibility of Protection of Personal Data Supervisors and Assistant Supervisors have been regulated.

Notable Data Protection Council Resolutions

Resolution (Dated October 16, 2018, numbered 2018/119) on "prevention of sending advertisement messages (or calls) via e-mail address and mobile phones (actual calls or SMS) sent by data holders and processing parties to related data owners."

A regulation has been enacted to prevent sending of advertisement messages (or calls) via e-mail address and mobile phones (actual calls or SMS) to related data owners contrary to rules of the Law 6698 on Protection of Personal Data without the consent of the related persons; and for cases such practices are applied without meeting the processing conditions stipulated in Article 5 (paragraph 2) of the same law.

Resolution (Dated July 19, 2018 and numbered 2018/88) on the Commencement Date of the Registration Obligation

Registration dates in accordance with the criteria such as the number of employees of the legal entity, the total amount of the annual financial balance, being a resident of the country, or living abroad, and being a public or private enterprise have been regulated.

Resolution (dated May 31, 2018 and numbered 2018/63) on the evaluation of the matter in relation to the power of the staff that enjoys access to personal data under the control of data supervisor and the practice of misuse in processing this data by the same

In order to make sure that data supervisors establish appropriate security levels, it has been decided to inform the data supervisors that the necessary technical and administrative measures should be taken in order to prevent unauthorized processing of personal data and/or the sharing of such data with third parties except for the purpose of processing, depending on the personal purpose and reasons, by their staff members in a position to access personal data resultant to their position or duty by way of excess and/or misuse of power.

Adequate Measures that Need to be Taken by Data Supervisors during the Processing of the Particular Personal Data," Resolution (Dated January 31, 2018, numbered 2018/10)

Adequate measures that need to be taken by data supervisors that process particular personal data in accordance with Article 22 of the Law on Protection of Personal Data (Paragraph 1, sections (ç) and (e)) has been regulated by the Protection of Personal Data Board.

Notifications**Notification on the Procedures and Principles on the Application to the Data Supervisor; March 10, 2018:**

It has been prepared to regulate the procedures and principles in relation to the fees to be charged for the applications made to the data supervisor, and the processing itself, when both requires an additional cost.

Notification on Procedures and Principles for the Obligation to Inform; May 16, 2018:

It regulates the procedures and principle to be upheld by the data supervisors, or persons they authorized, about the obligation to inform.

Internal Audit Activities

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

The internal audit activities of 2018 were realized by the Internal Audit Department consisting of the Head of Internal Audit, one Internal Audit Manager, and four Internal Auditors, in accordance with the "2018 Annual Audit Plan" approved by the Board of Directors. Within the context of the annual audit plan, auditing of 14 business processes were completed and the results were submitted in the form of a report to the Audit Committee.

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

Dividend Policy

AKSIGORTA ANONİM ŞİRKETİ BOARD OF DIRECTORS RESOLUTION

DATE OF MEETING : 08.02.2019
NUMBER DECISION : 17

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Emmanuel Van GRIMBERGEN
- Hayri ÇULHACI
- Fuat ÖKSÜZ
- Stefan Georges Leon BRAEKEVELDT
- Lütfiye Yeşim UÇTUM
- Emin Hakan EMİNSOY
- Uğur GÜLEN

AGENDA:

Determination of use of profit of the year 2018, the dividend payment and share

RESOLUTION

It has been recognized that there is a "Net Period Profit" of TL 227,619,080 on the Financial Statements prepared in accordance with Capital Market Board's Accounting Standards and Generally Accepted Accounting Principles and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PwC) for the period of 01.01.2018-31.12.2018.

Board has decided to propose and ask for the approval of our shareholders at the Ordinary General Assembly Meeting which will take place on 4 March 2019 for the following:

Dividend distribution out of the net distributable period income of TL 216,238,126, after allocating the legal reserves from the net profit of the period of TL 197,572,126 and including TL 4,387,874 previous years' profit. Thus, to distribute a total gross dividend of TL 201,960,000 in cash to shareholders holding a total equity of TL 306,000,000, corresponding to 66% ratio, and to charge 15% of withholding tax on the dividend income, and to make the dividend payments starting from the date March 5, 2019.

Chairman
Haluk DİNÇER

Vice Chairman
Emmanuel Van GRIMBERGEN

Board Member
Hayri ÇULHACI

Board Member
Fuat ÖKSÜZ

Board Member
**Stefan Georges Leon
BRAEKEVELDT**

Independent Board Member
Lütfiye Yeşim UÇTUM

Independent Board Member
Emin Hakan EMİNSOY

Board Member,
General Manager
Uğur GÜLEN

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

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

To the General Assembly of Aksigorta A.Ş.

1. Opinion

We have audited the annual report of Aksigorta A.Ş. (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 8 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies" ("Regulation") published on the 7 August 2007 dated Official Journal No. 26606 are as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Company's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC, Communiqué and Regulation provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

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

ORIGINALLY ISSUED IN TURKISH


Adnan Akan, SMMM
Partner

Istanbul, 8 February 2019

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

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS AS OF DECEMBER
31, 2018 TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT**



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Aksigorta A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Aksigorta A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2018 and the statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by insurance legislation "Regulation on Insurance Accounting and Financial Reporting Principles".

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matter

Estimation of claims incurred but not reported

As explained in Notes 2 and 4, the Company has accounted for the net incurred but not reported claims provision amounting to TL 480,135,811 as of 31 December 2018.

Abovementioned provision is calculated according to the best estimation methods determined within the opinion of the Company's actuary in accordance with "Circular on Outstanding Claim Provisions" dated 5 December 2014 and numbered 2014/16 published by the Undersecretariat of the Treasury. The reason we focus on this area during our audit is the significance of the incurred but not reported claims provision for the financial statements and the significant actuarial judgments and estimates required by the nature of provision in the financial statements.

How our audit addressed the matter

We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of incurred but not reported claims provision. We tested the mathematical accuracy of the calculation of incurred but not reported claims for selected branches. We assessed the methods and assumptions used by branch in association with our own actuary experts by inquiring with the Company's management and actuary of the Company. In addition, for selected branches, we made an estimation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company's records.

We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.

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

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

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

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



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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 8 February 2019.

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

ORIGINALLY ISSUED IN TURKISH



Adnan Akan, SMMM
Partner

Istanbul, 8 February 2019

**THE MANAGEMENT'S REPRESENTATION ON
THE FINANCIAL STATEMENTS PREPARED AS OF 31 DECEMBER 2018**

The accompanying financial statements and the related disclosures and notes as of 31 December 2018 (the 'financial report') are prepared in accordance with the requirements set out by Republic of Turkey of the Treasury and Finance Ministry Undersecretariat Treasury and accordance with the accounting principles and standarts in force in insurance legislation and are in compliance with our Company's accounting records.

Istanbul, 08 February 2019



Osman AKKOCA
Genel Müdür Yardımcısı



Uğur GÜLEN
Genel Müdür



Halil KOLBAŞI
Aktüer



Seza TANINMIŞ ÖZGÜR
Muhasebe Bölüm Müdürü

AKSIGORTA A.Ş.

THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY - 31 DECEMBER 2018

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AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS

AS OF 31 DECEMBER 2018 AND 2017

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

ASSETS

	Note	Audited Current Period (31/12/2018)	Audited Previous Period (31/12/2017)
I- CURRENT ASSETS			
A- Cash and Cash Equivalents	14	1,969,568,662	1,352,046,487
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,485,633,722	966,463,093
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	483,934,940	385,583,394
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	559,873,665	519,507,242
1- Financial Assets Available for Sale	11.1	548,434,750	516,992,828
2- Financial Assets Held to Maturity	11.1	9,752,674	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	1,686,241	2,514,414
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	600,837,632	526,616,819
1- Receivables From Insurance Operations	12.1	603,065,523	527,911,415
2- Provision for Receivables From Insurance Operations (-)	12.1	(11,935,533)	(7,785,096)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30,954	30,954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	116,410,789	101,471,349
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(106,734,101)	(95,011,803)
D- Due from Related Parties		126,885	124,226
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		126,885	124,226
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		20,668,330	16,815,829
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		518,123	506,405
4- Other Receivables	47	20,150,207	16,309,424
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	261,130,832	208,011,485
1- Deferred Commission Expenses	17	222,173,395	197,757,608
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	2.11	33,895,401	14,447
4- Other Prepaid Expenses	47	5,062,036	10,239,430
G- Other Current Assets	4.2.2	5,635,630	4,157,514
1- Inventories		22	22
2- Prepaid Taxes and Funds		5,416,876	4,056,588
3- Deferred Tax Assets		-	-
4- Business Advances		-	9,548
5- Advances Given to Personnel		218,732	91,356
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		3,417,841,636	2,627,279,602

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

AKSIGORTA A.Ş.

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

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

ASSETS

	Note	Audited Current Period (31/12/2018)	Audited Restated Previous Period (31/12/2017)
II- NON CURRENT ASSET			
A- Receivables From Main Operations			
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties			
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets			
1- Investments In Associates		-	-
2- Affiliates	9 and 11.4	30,116,653	30,116,653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	11.4	(30,116,653)	(30,116,653)
E- Tangible Fixed Assets			
1- Investment Properties	7	26,329,768	26,277,477
2- Diminution in Value for Investment Properties (-)		-	80,126
3- Owner Occupied Properties	6	1,598,569	1,598,569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	23,390,144	23,605,872
6- Vehicles	6	2,720,001	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	21,052,437	21,412,252
8- Leased Tangible Fixed Assets	6	351,395	351,395
9- Accumulated Depreciation (-)	6 and 7	(24,782,778)	(20,770,737)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets			
1- Rights	8	111,808,560	87,041,349
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	8	(58,117,829)	(43,097,276)
7- Advances Regarding Intangible Assets	8	1,949,163	2,600,646
G- Prepaid Expenses and Income Accruals		149,980	2,963,592
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	149,980	2,963,592
H- Other Non-current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	16,972,963	9,702,374
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		97,092,605	85,488,162
TOTAL ASSETS (I+II)		3,514,934,241	2,712,767,764

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS

AS OF 31 DECEMBER 2018 AND 2017

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

LIABILITIES

	Note	Audited Current Period (31/12/2018)	Audited Restated Previous Period (31/12/2017)
III- SHORT TERM LIABILITIES			
A- Borrowings			
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		58,448,710	-
B- Payables From Main Operations		418,719,301	308,244,281
1- Payables Due to Insurance Operations	191	418,719,301	308,244,281
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		254,558	184,121
1- Due to Shareholders		1,143	1,143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		253,415	182,978
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	132,714,389	76,722,322
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	28,112,544	24,110,925
3- Other Payables	19.1	104,601,845	52,611,397
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		1,910,327,687	1,464,403,244
1- Unearned Premiums Reserve - Net	20	1,040,175,238	883,931,028
2- Unexpired Risk Reserves - Net	20	20,653,057	476,121
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1 and 20	849,402,337	579,989,028
5- Provision for Bonus and Discounts - Net	20	97,055	7,067
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		44,131,441	40,735,458
1- Taxes and Dues Payable		31,716,632	30,129,723
2- Social Security Premiums Payable	23.1	168,325	1,879,776
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4,977	4,977
5- Corporate Tax Liability Provision on Period Profit	35	66,694,754	40,115,659
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(54,453,247)	(31,394,677)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		40,333,473	36,798,073
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1 and 23.4	40,333,473	36,798,073
H- Deferred Income and Expense Accruals	19.1	101,719,094	78,231,263
1- Deferred Commission Income	17, 19.1	101,508,921	78,231,263
2- Expense Accruals		-	-
3- Other Deferred Income	19.1	210,173	-
I- Other Short Term Liabilities		235	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	-
III - Total Short Term Liabilities		2,706,648,888	2,005,318,762

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

AKSIGORTA A.Ş.

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

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

LIABILITIES

	Note	Audited Current Period (31/12/2018)	Audited Restated Previous Period (31/12/2017)
IV- LONG TERM LIABILITIES			
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		83,822,206	72,173,503
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2 and 20	1,473,636	1,609,127
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	82,348,570	70,564,376
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		6,503,684	6,172,934
1- Provision for Employment Termination Benefits	22	6,503,684	6,172,934
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		90,325,890	78,346,437

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

AKSIGORTA A.Ş.

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

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

SHAREHOLDERS' EQUITY

V- SHAREHOLDERS' EQUITY	Note	Audited Current Period (31/12/2018)	Audited Previous Period (31/12/2017)
A- Paid in Capital		306,000,000	306,000,000
1- 1- (Nominal) Capital	15	306,000,000	306,000,000
2- 2- Unpaid Capital (-)		-	-
3- 3- Positive Inflation Adjustment on Capital		-	-
4- 4- Negative Inflation Adjustment on Capital (-)		-	-
5- 5- Unregistered Capital		-	-
B- Capital Reserves		95,377,201	95,377,201
1- 1- Equity Share Premiums		-	-
2- 2- Cancellation Profits of Equity Shares		-	-
3- 3- Profit on Sale to be Transferred to Capital	15	95,377,201	95,377,201
4- 4- Translation Reserves		-	-
5- 5- Other Capital Reserves		-	-
C- Profit Reserves		2,612,715	14,388,214
1- 1- Legal Reserves	15	15,835,334	-
2- 2- Statutory Reserves		62	62
3- 3- Extraordinary Reserves		1,018,015	26,666
4- 4- Special Funds (Reserves)	15, 22 and 34.5	(3,602,019)	14,375,956
5- 5- Revaluation of Financial Assets	16.1	(10,638,677)	(14,470)
6- 6- Other Profit Reserves		-	-
D- Previous Years' Profits		86,350,467	91,064,579
1- Previous Years' Profits		86,350,467	91,064,579
E- Previous Years' Losses (-)		-	(4,714,112)
1- Previous Years' Losses		-	(4,714,112)
F- Net Profit of the Period	37	227,619,080	126,986,683
1- 1- Net Profit of the Period		227,619,080	126,986,683
2- 2- Net Loss of the Period (-)		-	-
3- 3- Net Income not subject to distribution		-	-
V- Total Shareholders' Equity		717,959,463	629,102,565
Total Liabilities and Shareholders' Equity (III+IV+V)		3,514,934,241	2,712,767,764

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current Period 01/01/2018- 31/12/2018	Audited Restated Previous Period 01/01/2017- 31/12/2017
I-TECHNICAL PART			
A- Non-Life Technical Income			
		2,211,911,593	1,472,449,380
1- Earned Premiums (Net of Reinsurer Share)		1,824,838,348	1,282,546,312
1.1 - Written Premiums (Net of Reinsurer Share)	24	2,001,259,494	1,557,285,083
1.1.1 - Gross Written Premiums (+)	24	3,417,337,929	2,635,576,300
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16 and 24	(1,315,722,213)	(1,028,326,681)
1.1.3 - Ceded Premiums to SSI (-)	17.16 and 24	(100,356,222)	(49,964,536)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(156,244,210)	(274,262,650)
1.2.1 - Unearned Premiums Reserve (-)	20	(297,945,489)	(476,380,178)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16 and 20	123,625,496	177,297,871
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16 and 20	18,075,783	24,819,657
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(20,176,936)	(476,121)
1.3.1 - Unexpired Risks Reserve (-)	20	(112,026,341)	(15,546,916)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16 and 20	91,849,405	15,070,795
2-Investment Income Transferred from Non-Technical Part		359,339,576	174,547,280
3-Other Technical Income (Net of Reinsurer Share)		5,939,710	3,821,688
3.1 - Gross Other Technical Income (+)		5,939,710	3,821,688
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		21,793,959	11,534,100
B- Non-Life Technical Expense (-)		(1,843,977,661)	(1,258,164,832)
1-Total Claims (Net of Reinsurer Share)		(1,341,356,999)	(842,202,661)
1.1- Claims Paid (Net of Reinsurer Share)		(1,071,874,506)	(738,834,031)
1.1.1- Gross Claims Paid (-)		(1,485,190,439)	(1,067,310,322)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	413,315,933	328,476,291
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(269,482,493)	(103,368,630)
1.2.1 - Outstanding Claims Reserve (-)		(690,746,785)	(513,885,322)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	421,264,292	410,516,692
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(89,988)	(3,610)
2.1 - Bonus and Discount Reserve (-)	20	(61,622,938)	1,179,272
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	17.16 and 20	61,532,950	(1,182,882)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(11,784,194)	(10,858,460)
4- Operating Expenses (-)	32	(431,341,251)	(354,554,216)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)	47	(59,405,229)	(50,545,885)
6.1.- Gross Other Technical Expenses (-)	47	(59,405,229)	(50,545,885)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		367,933,932	214,284,548

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME

FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Notes	Audited Current Period 01/01/2018- 31/12/2018	Audited Restated Previous Period 01/01/2017- 31/12/2017
I-TECHNICAL PART			
D- Life Technical Income			
1. Earned Premiums (Net of Reinsurer Share)		135,124	146,972
1.1 - Written Premiums (Net of Reinsurer Share)	24	500	6,000
1.1.1 - Gross Written Premiums (+)		500	6,000
1.1.2 - Ceded Premiums to Reinsurers (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserves (-)		-	-
1.2.2- Unearned Premium Reserves Reinsurer Share (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2. Life Branch Investment Income		134,624	140,972
3. Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-
4.1- Gross Other Technical Income (+/-)		-	-
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-
E- Life Technical Expense		(162,937)	(334,325)
1- Total Claims (Net of Reinsurer Share)		(298,423)	(251,786)
1.1- Claims Paid (Net of Reinsurer Share)		(367,607)	(469,621)
1.1.1- Gross Claims Paid (-)		(367,607)	(469,621)
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	69,184	217,835
1.2.1 - Outstanding Claims Reserve (-)		69,184	217,835
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		135,491	(82,539)
3.1- Mathematical Reserves (-)		135,491	(82,539)
3.1.1- Actuarial Mathematical Reserve (-)		121,942	(74,285)
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		13,549	(8,254)
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Operating Expenses (-)	32	(5)	-
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		(27,813)	(187,353)
G- Individual Retirement Technical Income			
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

	Note	Audited Current Period 01/01/2018- 31/12/2018	Audited Previous Period 01/01/2017- 31/12/2017
II-NON TECHNICAL PART			
C- Non Life Technical Profit (A-B)		367,933,932	214,284,548
F- Life Technical Profit (D-E)		(27,813)	(187,353)
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		367,906,119	214,097,195
K- Investment Income		659,044,752	283,042,673
1- Income From Financial Investment	26	172,123,072	96,831,379
2- Income from Sales of Financial Investments	26	54,944,720	13,858,813
3- Revaluation of Financial Investments	26	17,849,568	30,216,728
4- Foreign Exchange Gains	36	314,166,805	111,807,006
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building		-	-
8- Income from Derivatives	13	99,960,587	30,328,747
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(679,394,430)	(301,117,386)
1- Investment Management Expenses (including interest) (-)		-	-
2- Valuation Allowance of Investments (-)	26	(18,123,768)	(587,680)
3- Losses On Sales of Investments (-)	26	(3,232,315)	(5,188,146)
4- Investment Income Transferred to Life Technical Part (-)		(359,339,576)	(174,547,280)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(278,335,770)	(102,833,841)
7- Depreciation Expenses (-)	6, 7 and 8	(20,363,001)	(17,960,439)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(53,242,607)	(28,920,140)
1- Provisions Account (+/-)	47	(47,271,113)	(32,383,804)
2- Discount account (+/-)	47	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	1,135,070	723,867
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35 and 47	120,044	8,888,211
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	1,303,230	392,086
8- Other Expense and Losses (-)	47	(8,529,838)	(6,540,500)
9- Prior Period Income	47	-	-
10- Prior Period Losses (-)		-	-
N- Net Profit / (Loss)	37	227,619,080	126,986,683
1- Profit / (Loss) Before Tax		294,313,834	167,102,342
2- Corporate Tax Liability Provision (-)	35	(66,694,754)	(40,115,659)
3- Net Profit (Loss)		227,619,080	126,986,683
4- Inflation Adjustment Account		-	-

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2018 AND 2017

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

Statement of Changes in Shareholders' Equity – 1 January – 31 December 2018 ^(*)

	CURRENT PERIOD									
	Equity Shares Owned by the Capital Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Period	Previous Years' Profit/(Loss)	Total
I – Closing Balance of Prior Period (31/12/2017)	306,000,000	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-
Internal sources	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	(10,624,207)	-	-	-	-	-	-	-	(10,624,207)
E- Translation reserves	-	-	-	-	-	-	(179,779,75)	-	-	(179,779,75)
F- Other income / (expenses)	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	227,619,080	-	227,619,080
I- Dividend distributed	-	-	-	-	-	-	-	(110,160,000)	-	(110,160,000)
J- Transfer	-	-	-	-	15,835,334	-	991,349	(16,826,683)	-	-
II- Closing Balance (31/12/2018) (I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	(10,638,677)	-	-	15,835,334	62	92,793,197	227,619,080	86,350,467	717,959,463

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

Statement of Changes in Shareholders' Equity - 1 January - 31 December 2017⁽¹⁾

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves ^(*)	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Period	Previous Years' Profit / (Loss)	Total
I - Closing Balance of Prior Period (31/12/2016)	306,000,000	-	(7,203,046)	-	-	83,064,172	62	108,747,535	57,154,562	(53,868,267)	493,895,019
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-
Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.I)	-	-	7,188,575	-	-	-	-	-	-	-	7,188,575
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	1,032,288	-	-	1,032,288
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	126,986,683	-	126,986,683
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	(83,064,172)	-	-	(57,154,562)	140,218,734	-
II - Closing Balance (31/12/2017) (I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565

⁽¹⁾ Details of equity accounts are explained in Note 15.

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

CASH FLOW STATEMENT	Note	Audited 31/12/2018	Audited 31/12/2017
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		4,239,482,072	3,285,777,509
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(3,632,448,738)	(2,748,010,122)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		607,033,334	537,767,387
8. Interest payments (-)		-	-
9. Income tax payments (-)		(68,591,105)	(35,451,265)
10. Other cash inflows		1,330,456	468,826
11. Other cash outflows (-)		(196,807,237)	(165,844,033)
12. Net cash generated from the operating activities		342,965,448	336,940,915
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		52,994	-
2. Purchase of tangible assets (-)		(27,889,432)	21,728,313
3. Acquisition of financial assets (-)		(432,158,028)	(408,585,835)
4. Sale of financial assets		487,947,489	786,744,266
5. Interest received		238,202,705	127,236,679
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows (-)		-	-
9. Net cash generated from the investing activities		266,155,728	527,123,423
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(110,160,000)	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		(110,160,000)	-
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		63,996,935	4,361,775
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		562,958,111	868,426,113
F. Cash and cash equivalents at the beginning of the period	14	1,200,503,027	332,076,914
G. Cash and cash equivalents at the end of the period (E+F)	14	1,763,461,138	1,200,503,027

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of December 31, 2018. 38.02% (December 31, 2017: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.14).

Agreement about the sale of 50% of 189,658,802 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belongs to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 18,965,880,200 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

1.2 The Company's address and legal structure and address of its registered country and registered office (or, if the Company's address is different from its registered office, the original location where the Company's actual operations are performed)

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at April 25, 1960. The headquarter of the Company is located at 'Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye – İstanbul'.

1.3 Main operations of the Company

The Company's main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability, fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region. As of December 31, 2018, the Company has 2654 authorized agencies (December 31, 2017: 2403).

1.4 Details of the Company's operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

1.5 Average number of the Company's personnel based on their categories

	January 1 - December 31 2018	January 1 - December 31 2017
Top executive	8	8
Manager assistant manager	104	95
Specialist/Executives	627	518
Total	739	621

⁽¹⁾ As of December 31, 2018, the Company has 81 project based part-time employees.

1.6 Remuneration and fringe benefits provided to top management

For the year ended December 31, 2018, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers amounted to TL 6,208,923 (December 31, 2017: TL 5,637,631).

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

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry ("Treasury and Finance Ministry") "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1 is dated January 4, 2008" is changed to "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance in relation amending No. 2010/9 is dated August 9, 2010

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

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements for Aksigorta A.Ş. as of December 31, 2018.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company's name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1.10 Subsequent Events

Detailed information about this subsequent events is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company's financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by Treasury and Finance Ministry and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on June 14, 2007.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No:1) and announcement of new account codes in the Insurance Account Plan dated December 27, 2011 and numbered 2011/14. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated June 18, 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated May 31, 2012 and numbered 2012/7.

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

As of January 1, 2008, the Company accounts for its operations in accordance with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") issued by Turkish Accounting Standards Board ("TASB") and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting.

With reference to the notice of Treasury No. 9 dated February 18, 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies ("Consolidation Communiqué") dated December 31, 2009 and published in the Official Gazette numbered 27097. The Company does not have any subsidiaries to be consoled in this direction.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of December 31, 2018 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Treasury and Finance Ministry.

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

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

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

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

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Treasury and Finance Ministry's statement no: 19387 issued on April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Treasury and Finance Ministry. Therefore, as of December 31, 2018, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

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

c. Technical Reserves

Unearned Premium Reserve

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

Deferred commission expense and income

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*Unexpired Risks Reserve*

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

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

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

As of December 31, 2018, Unexpired Risk Reserve is calculated in accordance with the Circular 2016/37 for Motor Third Party Liability, Third Party Liability, Motor Liability and General Liability branches and net Unexpired Risk Reserve of TL 3.366.081 TL for General Liability branch has been reflected in the financial statements. On the basis of the Motor Liability, the net amounted to 17.281.940 TL, In addition, a net amount of 20.653.057 TL has been calculated in Aircraft Liability and 4.696 TL in Aircraft Branch (December 31, 2017: TL 476.121) (Note 20)".

As a result of the calculations made with the old method, the reserve in the Motor Liability branch amounted to TL 67.102.011 and in the General Liability branch amounting to TL 23.598.917

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Bonuses and rebates reserve

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

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TL 62,162,575 and TL 97,055 net at December 31, 2018 (as of December 31, 2017 company has calculated and accounted gross bonus and rebates reserve amounting to TL 539,637 and TL 7,067 net) (Note 20).

Claims provision

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

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

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

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

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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

Branch	December 31 2018			December 31 2017		
	Applied Method	Gross Additional Reserve	Net Additional Reserve	Applied Method	Gross Additional Reserve	Net Additional Reserve
Motor Liability	Frequency/Severity / Standard	469.201.267	469.201.272	Frequency/Severity Standard	264.561.317	264.561.317
General Liability	Standard Chain /Damage Premium	84.270.336	27.964.168	Standart Chain /Damage Premium	63.187.111	24.715.804
General Losees	Bornhuetter-Ferguson	12.530.010	306.358	Bornhuetter-Ferguson	61.875	61.875
Fire and Natural Disaster	Bornhuetter-Ferguson	8.977.040	(1.603.399)	Bornhuetter-Ferguson	778.518	(155.896)
Finansal Kayıplar	Standart Chain	879.982	(195.325)	Standart Chain	90.295	39
Marine	Bornhuetter-Ferguson	847.566	(270.181)	Bornhuetter-Ferguson	14.244.613	232.438
Credit	Standart Chain	667.542	33.377	Standart Chain	8.453.691	346.676
Health	Standart Chain	638.476	11.809	Standart Chain	589.327	197.459
Accident	Bornhuetter-Ferguson	467.249	(3.966)	Bornhuetter-Ferguson	67.073	3.354
Air Crafst Liability	Standart Chain	420.236	533	Standart Chain	403.593	(35.712)
Indemnity	Standart Chain	318.456	175.997	Standart Chain	260.063	103.141
Water Crafts	Standart Chain	188.309	110.943	Standart Chain	91.999	2
Air Crafts	Standart Chain	83.183	19	Standart Chain	986.635	74.780
Legal Protection	Standart Chain	67.538	67.538	Standart Chain	509.889	141.919
Motor own damage	Standart Chain	(15.663.332)	(15.663.332)	Standart Chain	(19.293.395)	(19.293.395)
Total		563.893.858	480.135.811		334.992.604	270.953.801

With the resolution of Ministry of Treasury and Finance dated July 5, 2017 and numbered 18145, "Risky Insurance Pool" is founded as of April 12, 2017. Within this framework; On Motor Third Party Liability branch, premium and claim amounts that are transferred to Pool will be deducted from data used for IBNR calculation. And for the claims that company receives from Pool; IBNR is calculated with earned premium estimate and TL 51.289.817 is reflected to financial statements in accordance of 135% claim premium rate. IBNR calculation related with the Pool is calculated on the expected premium-claim rate for related branch. The rate used on Motor Liability branch is decided in accordance with premium-claim rate announced by Turkey Engined Vehicle Bureau who run the Pool. 115.7% declared by Bureau is only deducted from SSI and Funds, not deducted from third party commissions. In the purpose of calculating third party commissions and SSI and Fund shares, intermediary commissions are charged off of 115.7% rate and 135% rate is reached.

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A similar pool practice is founded for Medical Malpractice with the sectoral announcement dated September 6, 2017 and numbered 2017/4. When company calculates IBNR for TKU breakdowns with its own modelling, even though IBNR is negative, IBNR have not been recognized for conservative purposes.

As a result of the expectation of increase of minimum wage in 2019 being higher than the previous years; previous data can not reflect the real increase amount correctly especially since deprivation accounts are calculated on minimum salary, bodily claim on Motor Third Party Liability branch will get affected of relevant increase so the affect of minimum wage is added to the amount of provision of compulsory traffic branch. In accordance with this; in order to pay attention to effect of increase on minimum salary on outstanding cases and IBNR amount, in related branch net TL 40.939.640 and effect of the related branch on IBNR amount on General Liability Branch is examined and added additional reserve for TL 1.097.418.

As of December 31, 2018, Outstanding Claim Provision discount is calculated as TL 178.356.695 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury

(December 31, 2017: TL 131.991.307).The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of December 31, 2018, the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

December 31 2018

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	736,930,680	150,182,505	586,748,175
General Liability	120,127,029	28,174,190	91,952,839
Total	857,057,709	178,356,695	678,701,014

December 31 2017

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

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

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Treasury and Finance Ministry in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by December 31, 2018 are total number of files subject to calculation, number of files determined as major damage and their shares in total files are as follows;

BRANCH	December 31 2018				December 31 2017			
	Treshhold	# of Major Claim Files	Total Number of Claim Files	% of Elimination	Treshhold	# of Major Claim Files	Total Number of Claim Files	% of Elimination
General Liability	200.000	379	26.469	%1,4	200.000	359	23.511	%1,5
General Losses	999.999	59	158.243	%0,0	999.999	50	145.058	%0,0
Transportation	499.999	62	57.321	%0,1	499.999	45	54.501	%0,1
Fire and Natural Disaster	999.999	156	232.606	%0,1	999.999	135	204.355	%0,1
Accident	299.999	27	6.571	%0,4	299.999	16	6.204	%0,3
Suretyship	149.999	57	8.063	%0,7	149.999	41	7.393	%0,6
Financia Losses	50.000	41	30.989	%0,1	50.000	35	26.527	%0,1

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

Branch	Gross Additional Amount	NET IBNR
General Liability	15,879,458	3,432,933
Fire and Natural Disaster	13,237,878	1,301,037
General Losses	11,974,329	88,304
Facultative Public Liability	1,543,888	1,543,888
Financial Losses	1,147,521	71,904
Transportation	521,576	65,292
Accident	256,366	20,376

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

The circular numbered 2015/7 published by the Treasury and Finance Ministry has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In compliance with the circular published at 2nd quarter of 2017, the company has not used the gradual transition rate in the Compulsory Traffic and General Liability branches (December 31, 2017: gradual transition is not used). In accordance with the statement of Ministry of Treasury and Finance about Incurred But Not Reported (IBNR) (2011/23); Companies have to calculate a win rate on the amounts of the cases against them on sub branches in the last 5 years starting from the concluding dates of cases. By doing this that can make a discount for their cases in litigation process in condition of not exceeding %25 of accrued outstanding cases (%15 for branches that recently began and not applicable for accessing 5 years old data). According to company's actuary's opinion, Company did not calculate a discount on the case win rate from company outstanding claim reserves because of actuarial chain stairway methods mentioned above reflects the case win discount to calculations.

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

Equalization Reserve

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

In condition of not being of balancing provision of current year, paid claims for earthquake and provision of outstanding claim which is supported by documents such as appraisal report or taken from official organisations in term of disaster can be discounted from balancing reserve.

The Company has calculated TL 82,348,570 (December 31, 2017: TL 70,564,376) of equalization reserve as of December 31, 2018, and presented in the long term liabilities in the accompanying financial statements under "Other Technical Reserves" (Note 20).

Life mathematical reserves

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

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

d. Subrogation and salvage income

Within the framework of the Treasury and Finance Ministry's Office of Republic of Turkey. Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of June 30, 2017, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under "Provisions for Doubtful Receivables From Main Operations" in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of December 31, 2018 are TL 29,909,283 (December 31, 2017: TL 23,391,049) and TL 8,061,143 (December 31, 2017: TL 4,271,096) respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	December 31, 2018					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	209,470,121	-	209,470,121	24,876,295	-	24,876,295
Motor Crafts Liability	6,314,630	(294,645)	6,019,985	4,246,439	(507,324)	3,739,115
Fire and Natural Disaster	4,342,443	(2,317,410)	2,025,033	1,062,428	(186,425)	876,003
Transportation	2,429,948	(677,614)	1,752,334	347,783	(35,845)	311,938
General Liability	539,228	(240,590)	298,638	239,492	(183,528)	55,964
Suretyship	137,216	(93,443)	43,773	14,130	-	14,130
Genel Responsibility	57,476	(13,357)	44,119	115,551	(79,713)	35,838
Accident	36,000	-	36,000	-	-	-
Water Crafts	16,945	(4,986)	11,959	-	-	-
Legal Protection	12,886	-	12,886	-	-	-
Total	223,356,893	(3,642,045)	219,714,848	30,902,118	(992,835)	29,909,283

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	December 31, 2017					
	Collection			Accrual		
	Gross	Reinsurans share	Net	Gross	Reinsurans share	Net
Motor Own Damage	169,169,066	(572)	169,168,494	21,714,472	-	21,714,472
Motor Crafts Liability	4,315,726	(2,150)	4,313,576	597,075	(7,565)	589,510
Fire and Natural Disaster	2,776,860	(523,522)	2,253,338	1,050,612	(164,321)	886,291
Transportation	2,024,039	(687,679)	1,336,360	116,809	(8,947)	107,862
General Liability	176,389	(87,555)	88,834	3,610	(1,805)	1,805
Suretyship	22,392	(11,477)	10,915	180,745	(93,888)	86,857
General Responsibility	494,864	(8,856)	486,008	9,345	(5,093)	4,252
Accident	21,020	-	21,020	-	-	-
Accident	49,491	(33,950)	15,541	-	-	-
Legal Protection	11,193	-	11,193	-	-	-
Total	179,061,040	(1,355,761)	177,705,279	23,672,668	(281,619)	23,391,049

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding loss provisions are off-set against these reserves.

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of December 31, 2018, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of "Provision for doubtful receivables from insurance operations" amounting to TL 23.016.557 (December 31, 2017: TL 22,779,936), provision for the overdue receivables which are not under legal follow up in the account of "Provision for doubtful receivables from main operations" amounting to TL 11.935.533 (December 31, 2017: TL 7.785.096 TL). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 83.717.544 (December 31, 2017: TL 72.231.867) and it has been accounted in "Provision for doubtful receivables from main operations" account (Note 12).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

g. Earnings per Share

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

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

h. Subsequent Events

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

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

i. Provisions, Contingent Liabilities and Assets

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

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

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

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

j. Accounting Policies, Changes and Misstatements on Accounting Estimates

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

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k. Corporate Taxation and Deferred Tax

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

Corporate Tax

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability.

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

The affiliate shares stocked for minimum 2 years and the 50% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as prestatated in Corporate Tax Law or the amount is kept in equity for 5 years.

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

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2016 and 2015, no inflation adjustments were performed (Note 35).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*Deferred income tax*

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

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

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

As of December 31, 2017, the Company has booked the deferred tax assets in amounting to TL 16,972,963 (December 31, 2017: TL 9,702,374). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

Income tax withholding

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

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

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With the resolution of the president of the republic dated 31 August 2018 and numbered 30521 about making a change at the resolution of the Council of Ministers' addition dated 22 July 2006 and numbered 10731; stoppage rates applied on foreign exchange deposit accounts, deposit interests, participation accounts are changed temporarily. Within this framework; the interests paid on the Turkish Lira demand deposit accounts and time deposit accounts up to 6 months (including 6th month) are decreased to 5% deduction from 15% and for time deposit accounts up to 1 year (including 1 year) are decreased to 3% deduction from 12%. The interests paid on the foreign exchange deposit accounts and the profit paid on the foreign exchange accounts from the Participation Banks and time deposit accounts up to 6 months (including 6th month) are increased to 20% deduction from 18%, and for time deposit accounts up to 1 year (including 1st year) are increased to 16% deduction from 15%. Deduction rate which is 13% applied on time deposits with longer maturity date than 1 year is not changed.

2.1.2 Other related accounting policies for the understanding of financial statements

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

2.1.3 Functional currency

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

2.1.4 Rounding degree used in the financial statements

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

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

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

2.1.6 New and Revised International Financial Reporting Standards

New and revised standards and comments

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Turkey Financial Reporting Standards (IFRS) financial statements are register changes in the standards and comments should be as follow in the notes:

a) Standards, amendments and interpretations applicable as at 31 December 2018:

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

Until the date of validity of IFRS 17, the Company benefits from the temporary relief subjects for IFRS 9 partaking IFRS 4.

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

Transition to IFRS 15 is postponed to January 1, 2021 in accordance with the circular dated October 23, 2018 and numbered 2018/4 "Circular on the Date of Transition to IFRS 15 of Insurance and Pension Companies" published by the Ministry of Treasury and Finance.

- **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.

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Changes are implemented for the periods after January 1, 2018. The aforementioned changes have no significant effects on the Company's financial situation and performance.

- **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.

Changes are implemented for the periods after January 1, 2018. The aforementioned changes have no significant effects on the Company's financial situation and performance.

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Changes are implemented for the periods after January 1, 2018. The aforementioned changes have no significant effects on the Company's financial situation and performance.
 - **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
 - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
 - **IFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- Changes are implemented for the periods after January 1, 2018. The aforementioned changes have no significant effects on the Company's financial situation and performance.

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b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- **Amendment to IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Until the date of validity of IFRS 17, the Company benefits from the temporary relief subjects for IFRS 9 partaking IFRS 4.

- **Amendment to IAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- Changes will be implemented for the periods after January 1, 2019. The changes are not applicable for the Company. There is no impact on the Company's financial situation and performance.

- **IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching 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.

Impact

As at the reporting date, the Group has non-cancellable operating lease commitments of TL 50,519,555.

For the remaining lease commitments, the Company expects to recognise right-of-use assets and lease liabilities of approximately TL 27,042,959 on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets of TL 439,649. The Company expects that net profit after tax will decrease by approximately TL 1,558,759 for 2019 as a result of adopting the new rules.

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- **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.

Interpretation will be implemented for the periods after January 1, 2019. The changes are not applicable for the Company. There is no impact on the Company's financial situation and performance. The Company assesses the effects on financial situation and performance.

- **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.

Standard will be implemented for the periods after January 1, 2022. The Company assesses the effects of the standard on the financial situation and performance

- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company assesses the effects of the standards above on the financial situation and performance.

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

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

Improvement will be valid for the periods after January 1, 2019. The Company assesses the effects of the standards on the financial situation and performance.

- **Amendments to IAS 1 and IAS 8 on the definition of material**; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

Improvement will be valid for the periods after January 1, 2020. The Company assesses the effects of the standards on the financial situation and performance.

- **Amendments to IFRS 3 – definition of a business**; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Change will be valid for the periods after January 1, 2020. The changes are not applicable for the Company. There is no impact on the Company's financial situation and performance.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "IFRS 10- Consolidated and Separate Financial Statements" as of December 31, 2018 (December 31, 2017: None).

2.3 Segment Reporting

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

The competent authority for decision-making is responsible for making decisions on the resources to be allocated to the department and for evaluating the performance of the department. Details of segment reporting are explained in Note 5.

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2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of December 31, 2018 and December 31, 2017.

2.5 Foreign Currency Translation

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

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

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

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

2.6 Tangible assets

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

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

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use. Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

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Depreciation periods for tangible assets are presented in the table below:

	Useful Life
Properties	50 Years
Furniture and fixtures	10 Years
Motor vehicles	5 Years
Leasehold Improvements	5 Years

2.7 Investment Properties

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

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

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

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

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

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Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economical benefit are amortized over their estimated useful lives (December 31, 2018: 5 years - December 31, 2017: 5 years).

2.9 Financial Assets:

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "available-for-sale" (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables". As of December 31, 2018, the Company has no financial assets at fair value through profit and loss (December 31, 2017: None).

Effective interest method

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

Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

Held-to-maturity financial assets are intended to be held until their maturities and including ability to funding, provided the circumstances to be held to maturity, with fixed or determinable payments and with fixed maturity, and apart from loans and receivables, when recognized, not recognized as financial assets at fair value through profit or loss and not available for sale financial assets. These financial assets, initially recognized at the acquisition cost and is considered fair value. The fair value of held-to-maturity financial assets is determined on transaction cost of these financial assets or market price of similar financial instruments. Held-to-maturity financial assets are carried at amortized cost. Contribution income related to held-to-maturity financial assets is reflected in the income statement.

The Company does not allocate any impairment on short-term market fluctuations, provided that there is no risk of collection of the securities representing the borrowings classified as held-to-maturity financial assets. If there is a risk of collection, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows expected from the financial asset, if any, amortized based on the original effective rate of return.

As of December 31,2018, the Company has TL 9,752,674 of financial assets under held-to-maturity investment account (December 31, 2017: None).

Financial Assets at Insured's Risk

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

Loans and receivables

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

Associates

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

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2.10 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

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

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

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

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

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

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

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2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. Şirket'in As of December 31, 2018, there is a registered financial asset amounting to TL 1,068,791,711 which costed to TL 1,035,650,000 (31 December 2017: None).

As of December 31, 2018, the Company has accrued TL 33,895,401 arising from valuation of derivative instruments.

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 14).

2.14 Share Capital

As of June 30, 2018, the Company's nominal capital is TL 306,000,000 (December 31, 2017: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0.01 each. The share capital structure of the Company is as follows:

	December 31 2018		December 31 2017	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36,00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36,00	110,160,000
Other	28.00	85,680,000	28,00	85,680,000
	100.00	306,000,000	100,00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

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The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of June 30, 2017, Company has TL 500,000,000 registered share capital ceiling. December 31, 2016: TL 500,000,000). More extensive details related to the company capital are disclosed in the Note 15.

2.15 Insurance and Investment Contracts

Insurance Contracts

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insuree) when any uncertain case affects the insuree. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance and reinsurance contracts of the Company are included in classification of Insurance contracts.

Insurance contracts are accounted when the insurance risk is transferred, and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

Investment Contracts:

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed.

Reinsurance agreements:

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

The Company has excess of loss, surplus and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

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

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

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of "The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees" (the "Law") numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution ("SSI") regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated September 15, 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated.

17 October 2011 (the "Communiqué numbered 2011/18"), the regulation (the "Communique numbered 2012/3") making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated March 16, 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the "Communique numbered 2012/6"). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

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Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2018 accounting period as TL 100.356.222 (January 1 - December 31, 2017: TL :49.964.536) and unearned premium reserve amounting to TL 53.437.849, (January 1 - December 31, 2017: TL 35.362.066) for the period ended as of January 1 - December 31, 2018; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of of Unearned Premiums Reserve", respectively (Note 20).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the "suspense of execution" and "cancellation" of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

Premium ceded to Turkish Motor Insurers' Bureau

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

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

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMTB as of December 31, 2017. As at December 31, 2018, the Company accounted TL 162,349,438 premium ceded to the Pool and TL 63,181,941 paid claim; TL 67,065.179 premium which is reported as Company share from the pool, TL 26,325,648 claims paid, TL 111,963 recourse and TL 258,853 salvage are accounted in accordance with the related legislation.

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2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31 2017: None).

2.17 Investment Contracts without Discretionary Participation Features

None. (December 31 2017: None).

2.18 Borrowings

As of December 31, 2018, the Company has TL 8,494,258 borrowings with one day maturity without interest rate and classified as "Other Financial Liabilities. (December 31 2017: None).

2.19 Employee Benefits

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

According to the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labour Law by considering determined actuarial estimates (Note 22).

2.20 Provisions

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

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

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

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Written Premium Commission

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

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

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

Interest income and expense

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

Dividend income

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

2.21 Finance Lease - The Company as lessee

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

Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As at December 31, 2018, the Company has paid in advance in amounting to TL 2,793,062 (December 31, 2017 TL 9,496,410) all of which is short-term (December 31, 2017: TL 6,703,348 is short-term, 2,793,062 is long-term).

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2.22 Profit Share Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-191 issued by the CMB which is effective from February 1, 2014.

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

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

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

2.23 Hedge Accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company's financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company's financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for exchange rate has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. In the case of expectation of estimated transaction's end, accumulated gain or loss recognized under equity has been accounted as current period's profit or loss in the financial statements. Effectiveness of hedge transaction has been measured and evaluated in each reporting period. As of December 31, 2018 the Company has no hedge transactions (Note 34.5).

The Company deducted TL 22,023,479, arising from the foreign currency valuation of the financial assets given as collateral for the head office building, from equity, and recognized in foreign exchange losses because of the commitment given by owners that lease agreement determined to be Turkish Lira as of May 1, 2019.

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2.24 Related parties

Parties are considered related to the Company if;

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting.

b) An entity is related to a reporting entity if any of the following conditions applies;

- i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. In the financial statements and related notes dated December 31, 2018 and December 31, 2017, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

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

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

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

	31 December 2018		31 December 2017	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying Rate	5.2609	6.0280	3.7719	4.5155
Selling Rate	5.2783	6.0479	3.7843	4.5305

3. Significant Accounting Estimates and Requirements

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

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

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4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

4.1.1 Details of insurance risk, including the following information (details prior and/or subsequent to minimizing risks through reinsurance);

4.1.1.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance programme.

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

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

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

	31 December 2018			31 December 2017		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Total Claims Liability ⁽¹⁾						
Motor Crafts Liability	602,744,898	(15,996,721)	586,748,177	379,599,718	(2,990,355)	376,609,363
Fire and Natural Disaster	592,426,425	(550,469,556)	41,956,869	447,245,055	(422,119,739)	25,125,316
General Liability	317,979,138	(226,026,299)	91,952,839	181,910,171	(119,910,498)	61,999,673
General Losses	267,069,677	(256,781,293)	10,288,384	173,000,569	(164,472,937)	8,527,632
Motor Own Damage	94,454,919	(181)	94,454,738	90,144,601	(180)	90,144,421
Fidelity Guarantee	74,959,768	(72,180,205)	2,779,563	74,152,709	(72,523,921)	1,628,788
Financial Losses	56,541,493	(49,053,205)	7,488,288	8,404,120	(4,313,119)	4,091,001
Transportation	39,538,203	(33,365,205)	6,172,998	22,103,955	(16,639,724)	5,464,231
Health	16,500,937	(13,142,555)	3,358,382	9,798,669	(6,830,502)	2,968,167
Air Crafts	15,356,409	(15,350,024)	6,385	10,351,099	(10,346,571)	4,528
Air Crafts Liability	5,563,092	(5,554,759)	8,333	106,835	(106,798)	37
Water Crafts	5,392,784	(3,716,914)	1,675,870	4,296,013	(3,132,264)	1,163,749
Accident	4,603,245	(2,640,550)	1,962,695	3,429,520	(1,564,577)	1,864,943
Credit	2,715,263	(2,598,366)	116,897	675,253	(660,356)	14,897
Legal Protection	302,965	-	302,965	184,144	-	184,144
Life	128,954	-	128,954	198,138	-	198,138
Total	2,096,278,170	(1,246,875,833)	849,402,337	1,405,600,569	(825,611,541)	579,989,028

⁽¹⁾ Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

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

	31 December 2018				31 December 2017		
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(106,665,871)	1,783,361,109	(1,235,866,842)	547,494,267	1,255,436,622	(814,608,226)	440,828,396
Discount Effect of Reported Damages	46,365,388	(251,105,751)	72,749,056	(178,356,695)	(185,026,795)	53,035,488	(131,991,307)
Claim Provisions ⁽¹⁾	(209,182,010)	563,893,858	(83,758,047)	480,135,811	334,992,604	(64,038,803)	270,953,801
Non-life Total	(269,482,493)	2,096,149,216	(1,246,875,833)	849,273,383	1,405,402,431	(825,611,541)	579,790,890
Life	69,184	128,954	-	128,954	198,138	-	198,138
Grand Total	(269,413,309)	2,096,278,170	(1,246,875,833)	849,402,337	1,405,600,569	(825,611,541)	579,989,028

⁽¹⁾ Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

Outstanding Claim Reserve:

	31 December 2018			31 December 2017		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of the period - January 1	1,255,436,620	(814,608,226)	440,828,394	794,956,758	(415,738,394)	379,218,364
Opened in the period	2,013,482,535	(834,574,549)	1,178,907,986	1,528,259,805	(727,346,123)	800,913,682
Paid from current period (-)	(1,069,601,793)	297,587,472	(772,014,321)	(854,223,954)	262,781,033	(591,442,921)
Paid from previous periods (-)	(415,956,253)	115,728,461	(300,227,792)	(213,555,989)	65,695,258	(147,860,731)
Period end reported claims	1,783,361,109	(1,235,866,842)	547,494,267	1,255,436,620	(814,608,226)	440,828,394
Life	128,954	-	128,954	198,140	-	198,140
Reported claims discount effect	(251,105,751)	72,749,056	(178,356,695)	(185,026,795)	53,035,488	(131,991,307)
IBNR	563,893,858	(83,758,047)	480,135,811	334,992,604	(64,038,803)	270,953,801
Total	2,096,278,170	(1,246,875,833)	849,402,337	1,405,600,569	(825,611,541)	579,989,028

Claims development tables prepared in accordance with the Technical Provision Regulations which are used in the ACLM calculation are explained below:

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Gross claim development table prepared on the principles of incurred claims by December 31, 2018:

	1/1/2012 31/12/2012	1/1/2013 31/1/2013	1/1/2014 31/12/2014	1/1/2015 31/12/2015	1/1/2016 31/12/2016	1/01/2017 31/12/2017	1/01/2018 31/12/2018	Gross Claim
Accident period Claim realized in the accident period	805,358,245	673,026,038	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	7,019,378,276
1 year later	202,466,775	160,175,099	239,937,131	216,699,946	420,934,178	793,577,616		2,033,790,745
2 year later	63,973,783	84,819,582	144,014,862	126,303,760	345,579,002			764,690,989
3 year later	54,371,895	67,301,174	120,606,234	110,917,361				353,196,664
4 year later	51,998,615	65,886,722	133,086,346					250,971,683
5 year later	47,498,155	65,079,638						112,577,793
6 year later	48,136,076							48,136,076
TOTAL								10,582,742,226

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

	1/1/2012 31/12/2012	1/1/2013 31/1/2013	1/1/2014 31/12/2014	1/1/2015 31/12/2015	1/1/2016 31/12/2016	1/01/2017 31/12/2017	1/01/2018 31/12/2018	Gross Claim
Accident period Claim realized in the accident period	642,284,589	805,349,551	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	6,097,599,887
1 year later	161,696,125	202,475,497	160,181,399	239,937,131	216,699,946	420,934,178		1,401,924,276
2 year later	88,508,996	63,973,821	84,819,582	144,014,861	126,303,760			507,621,020
3 year later	49,873,092	54,371,949	67,301,173	120,606,234				292,152,448
4 year later	52,872,654	51,998,685	65,886,722					170,758,061
5 year later	29,563,327	47,498,241						77,061,568
6 year later	26,569,822							26,569,822
TOTAL								8,573,687,082

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

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

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The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008. The Treasury and Finance Ministry has not published capital adequacy calculation tables for the interim period ended on December 31, 2018 as of publication date of financial statements. The minimum required capital of the company as of December 31, 2018, calculated within the framework of the regulation on capital adequacy measurement is TL 611,076,664. In accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance Companies and Pension companies published on 19 January 2008, The Company's capital is in excess of TL 189,231,369 from the minimum capital required as of December 31, 2018. The Company management believes that, as of December 31, 2019, the necessary capital adequacy has been provided for the interim period 1 January - 31 December 2018 considering the movement of equity.

4.2.2 Financial risk factors

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

Market risk

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

Exchange rate risk

The Company's foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of December 31, 2018 and December 31, 2017 are presented in details in Note 12.4

Sensitivity to exchange rate risk

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

	31 December 2018		31 December 2017	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	7,937,030	6,534,897	4,298,257	2,393,348
Profit / Loss (Decrease)	(7,937,030)	(6,534,897)	(4,298,257)	(2,393,348)

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Interest rate risk

	31 December 2018	31 December 2017
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+%1	(226,353)	(2,227,928)
-%1	253,313	2,797,224
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+%1	(195,413)	(2,208,261)
-%1	216,688	2,776,393
+%1 Financial Assets with Risks on Policy Holders	(30,940)	(19,667)
-%1 Financial Assets with Risks on Policy Holders	34,625	20,831

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

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company's sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of December 31, 2018.

	31 December 2018	31 December 2017
Total	Effect on Financial assets available for sale	
Price increase / (decrease)		TL
+%10	55,818,742	51,699,283
-%10	(55,818,742)	(51,699,283)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of December 31, 2018, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

Liquidity risk table

December 31, 2018	Up to 1 month	1 - 3 month	3 months- 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	486,866,689	579,752,804	886,833,419	-	-	16,115,750	1,969,568,662
Financial Assets Available for Sale	2,098,623	45,006,797	110,705,440	145,757,862	52,382,624	192,483,404	548,434,750
Held-to-Maturity Financial Assets	-	-	-	9,752,674	-	-	9,752,674
Investments with Risks on Policy Holders Investments	-	-	-	1,686,241	-	-	1,686,241
Receivables From Main Operations	173,197,383	185,593,560	204,611,519	37,435,170	-	-	600,837,632
Due from Related Parties	-	-	126,885	-	-	-	126,885
Other Receivables	-	-	20,668,330	-	-	-	20,668,330
Prepaid Expenses and							
Income Accruals	65,078,730	53,091,248	142,960,854	-	-	-	261,130,832
Other Current Assets	218,754	-	5,416,876	-	-	-	5,635,630
Tangible Fixed Assets	-	-	-	-	-	24,329,768	24,329,768
Intangible Fixed Assets	-	-	-	-	-	55,639,894	55,639,894
Prepaid Expenses and Income Accruals							
(Long Terms)	-	-	-	149,980	-	-	149,980
Other Non-current Assets	-	-	-	-	-	16,972,963	16,972,963
Total Assets	727,460,179	863,444,409	1,371,323,323	194,781,927	52,382,624	305,541,779	3,514,934,241
Financial Liabilities	58,448,710	-	-	-	-	-	58,448,710
Payables From Main Operations	121,540,357	74,500,013	217,355,734	5,323,197	-	-	418,719,301
Due to Related Parties	253,415	-	1,143	-	-	-	254,558
Other Payables	-	132,714,624	-	-	-	-	132,714,624
Insurance Technical Reserves I	510,096,956	464,596,373	876,084,765	54,643,643	4,905,950	-	1,910,327,687
Insurance Technical Reserves	-	44,131,441	-	-	-	-	44,131,441
Cost Expense Provisions	-	-	40,333,473	-	-	-	40,333,473
Prepaid Expenses and Income Accruals	8,353,828	16,262,600	77,102,666	-	-	-	101,719,094
Long Term Insurance Technical Reserves	-	-	-	1,473,636	82,348,570	-	83,822,206
Provisions for Other Risks	-	-	-	-	-	6,503,684	6,503,684
Shareholders' Equity	-	-	-	-	-	717,959,463	717,959,463
Total Liabilities and Shareholders' Equity	698,693,266	732,205,051	1,210,877,781	61,440,476	87,254,520	724,463,147	3,514,934,241
Liquidity Surplus / (Deficit)	28,766,913	131,239,358	160,445,542	133,341,451	(34,871,896)	(418,921,368)	-

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31 December 2017	Up to 1 month	1 - 3 month	3 months- 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	480,433,483	856,650,464	-	-	-	14,962,540	1,352,046,487
Financial Assets Available for Sale	5,441,840	5,261,658	72,340,849	175,656,024	24,969,288	233,323,169	516,992,828
Financial Assets Held for Trading							
Investments	-	-	-	2,514,414	-	-	2,514,414
with Risks on Policy Holders	100,695,396	159,738,668	248,514,321	17,668,434	-	-	526,616,819
Due from Related Parties	-	-	124,226	-	-	-	124,226
Other Receivables	-	-	16,815,829	-	-	-	16,815,829
Prepaid Expenses and Income Accruals	27,770,878	47,256,775	132,983,832	-	-	-	208,011,485
Other Current Assets	100,926	-	4,056,588	-	-	-	4,157,514
Financial Assets	-	-	-	-	-	26,277,477	26,277,477
Intangible Fixed Assets	-	-	-	-	-	46,544,719	46,544,719
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	2,963,592	-	-	2,963,592
Other Non-current Assets	-	-	-	-	-	9,702,374	9,702,374
Total Assets	614,442,523	1,068,907,565	474,835,645	198,802,464	24,969,288	330,810,279	2,712,767,764
Payables From Main Operations	165,433,869	26,598,932	114,731,000	1,480,480	-	-	308,244,281
Due to Related Parties	182,978	-	1,143	-	-	-	184,121
Other Payables	-	76,722,322	-	-	-	-	76,722,322
Insurance Technical Reserves	290,312,759	318,586,178	708,891,278	120,039,566	26,573,463	-	1,464,403,244
Taxes and Other Liabilities and Provisions	-	40,735,458	-	-	-	-	40,735,458
Cost Expense Provisions	-	-	36,798,073	-	-	-	36,798,073
Prepaid Income and Expense Accruals	6,424,855	12,507,423	59,298,985	-	-	-	78,231,263
Long Term Insurance Technical Reserves	-	-	-	1,609,127	70,564,376	-	72,173,503
Provisions for Other Risks	-	-	-	-	-	6,172,934	6,172,934
Shareholders' Equity	-	-	-	-	-	629,102,565	629,102,565
Total Liabilities and Shareholders' Equity	462,354,461	475,150,313	919,720,479	123,129,173	97,137,839	635,275,499	2,712,767,764
Liquidity Surplus/ (Deficit)	152,088,062	593,757,252	(444,884,834)	75,673,291	(72,168,551)	(304,465,220)	-

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Categories of Financial Assets:

	December 31, 2018		December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Current Financial Assets				
Financial Assets Available for Sale	548,434,750	548,434,750	516,992,828	516,992,828
Financial Assets Held to Maturity	9,752,674	9,752,674	-	-
Financial Investments with Risks on Policy Holders	1,686,241	1,686,241	2,514,414	2,514,414
Impairment Provision for Financial Assets	-	-	-	-
Non-Current Financial Assets				
Affiliate	30,116,653	30,116,653	30,116,653	30,116,653
Impairment Provision for Affiliates	(30,116,653)	(30,116,653)	(30,116,653)	(30,116,653)
Total Financial Assets	559,873,665	559,873,665	519,507,242	519,507,242

Fair value of financial assets

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

	December 31, 2018	Category 1	Category 2	Category 3
Financial Assets Available for sale				
Corporate Bond	233,265,994	233,265,994	-	-
Investment Funds	168,805,442	168,805,442	-	-
Eurobond	122,684,814	122,684,814	-	-
Stocks	23,677,764	23,247,732	-	430,032
Government Bonds & Treasury Bills	736	736	-	-
Held to maturity financial assets				
Government Bonds	9,752,674	9,752,674	-	-
Held to maturity financial assets				
Government Bonds	1,686,241	1,686,241	-	-
Total	559,873,665	559,443,633	-	430,032

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	31 December 2017	Category 1	Category 2	Category 3
Financial Assets Available for sale				
Corporate Bond	226,548,745	226,548,745	-	-
Investment Funds	232,976,958	232,976,958	-	-
Eurobond	57,120,310	57,120,310	-	-
Stocks	346,211	-	-	346,211
Government Bonds & Treasury Bills	604	604	-	-
Held to maturity financial assets				
Government Bonds	2,514,414	2,514,414	-	-
Total	519,507,242	519,161,031	-	346,211

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

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

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

Financial assets

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

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

Financial liabilities

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

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5. Segment Information

5.1 Operating segments

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

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

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

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Segment results for the period ended at December 31, 2018:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life Undistributed	Total
TECHNICAL INCOME										
1- Earned Premiums (Net of Reinsurer Share)	147,251,142	27,375,824	670,579,919	726,262,658	145,121,001	21,724,404	52,788	86,470,612	500	- 1,824,838,848
1.1- Premiums (Net of Reinsurer Share)	149,448,259	27,722,190	692,915,316	884,796,666	145,392,042	21,490,975	67,081	79,426,965	500	- 2,001,259,994
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,197,117)	(361,635)	(5,053,457)	(158,534,008)	2,639,224	233,429	(14,293)	7,043,647	-	(156,244,210)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	15,269	(17,281,940)	-	(2,910,265)	-	-	-	-	(20,176,936)
2- Investment Income transferred from Non-Technical Part	36,083,742	6,821,846	34,221,077	204,681,467	49,212,429	3,662,375	13,582	24,643,058	134,624	- 359,474,200
3- Other Technical Income (Net of Reinsurance Share)	-	-	5,576,778	200,932	-	-	-	162,000	-	- 5,939,710
4- Accrued Subrogation and Salvage Income (+)	2,302,595	2,072,055	7,524,491	9,731,648	121,737	41,725	-	(292)	-	- 21,793,959
TECHNICAL EXPENSES										
1- Total Claims (Net of Reinsurer Share)	(68,471,474)	(8,751,638)	(595,937,380)	(589,919,118)	(58,862,446)	(12,520,959)	(15,838)	(6,878,146)	(298,423)	- (1,341,655,422)
1.1- Claims Paid (Net of Reinsurer Share)	(51,639,921)	(7,530,750)	(591,627,063)	(379,780,304)	(23,863,015)	(10,804,262)	(141,260)	(6,487,931)	(3,67,607)	- (1,072,242,113)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	(16,831,553)	(1,220,888)	(4,310,317)	(210,138,814)	(34,999,431)	(1,716,697)	125,422	(390,215)	69,184	- (289,413,309)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	(2,511)	(9,142)	(83,916)	-	5,583	(2)	-	-	-	(89,988)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(10,378,615)	(38)	(818,723)	-	(155,9710)	(4,30,848)	-	-	-	(11,784,194)
4- Operating Expenses	(55,649,507)	(6,049,154)	(161,202,282)	(101,403,123)	(56,154,872)	(4,196,822)	56,052	(46,741,543)	(5)	- (431,341,256)
4.1- Production Commissions (-)	(89,055,665)	(10,734,260)	(109,032,672)	(92,849,823)	(74,393,938)	(17,595,155)	(8,367,485)	(66,482,881)	-	- (468,505,879)
4.2- Reinsurance Commissions (+)	66,389,008	7,206,277	63,123	21,315,166	33,336,525	18,055,084	9,055,246	30,048,479	-	- 185,468,908
4.3- General Administrative Expenses	(32,982,850)	(2,521,171)	(52,232,733)	(29,868,466)	(15,097,459)	(4,656,751)	(637,709)	(10,307,141)	(5)	- (148,304,285)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	135,491	- 135,491
6- Other Technical Expenses (Net of Reinsurer Share)	(8,414,443)	(163,504)	(39,460,914)	(3,694,103)	(3,047,005)	(553,024)	(114,113)	(3,958,123)	-	- (59,405,229)
Net Profit / (Loss)	42,720,929	21,296,249	(79,600,950)	245,860,361	76,240,457	7,726,849	(7,529)	53,697,566	(27,813)	- 3,679,06,119
Financial income	-	-	-	-	-	-	-	-	-	659,044,752
Depreciation expense	-	-	-	-	-	-	-	-	-	(20,363,001)
Provisions account	-	-	-	-	-	-	-	-	-	(47,271,113)
Tax expenses	-	-	-	-	-	-	-	-	-	(66,694,754)
Financial expenses	-	-	-	-	-	-	-	-	-	(659,031,429)
Other	-	-	-	-	-	-	-	-	-	(5,971,494)
Net Profit / (Loss)	42,720,929	21,296,249	(79,600,950)	245,860,361	76,240,457	7,726,849	(7,529)	53,697,566	(27,813)	(140,287,039)
										227,619,080

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Segment results for the period ended at December 31, 2017:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Accident	Engineering	Agriculture	Health	Life Undistributed	Total
TECHNICAL INCOME	164,571,214	23,277,298	657,931,456	365,916,998	169,606,215	24,110,043	36,117	87,000,039	14,6972	- 1,472,596,352
Earned Premiums (Net of Reinsurer Share)	141,130,850	20,065,657	601,471,718	291,772,964	135,861,217	20,841,233	32,219	71,370,454	6,000	- 1,282,552,312
1.1- Premiums (Net of Reinsurer Share)	150,707,332	20,987,726	639,853,415	487,011,116	145,325,624	26,549,017	30,831	86,820,022	6,000	- 1,557,291,083
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(9576,482)	(906,800)	(38,381,697)	(195,238,152)	(9,003,555)	(5,707,784)	1,388	(15,449,568)	-	(274,262,650)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	18,411,940	3,028,413	31,575,524	69,651,637	33,455,706	3,193,662	3,898	15,226,500	140,972	174,688,252
Share and Reserves transferred from Non-Technical Part Investment Income	-	(15,269)	-	-	(460,852)	-	-	435,000	-	(476,121)
2- Investment Income transferred from Non-Technical Part	-	-	-	-	-	-	-	-	-	-
3- Other Technical Income (Net of Reinsurance Share)	5,028,424	183,228	1,497,526	4,492,397	289,292	75,148	-	(31,915)	-	11,534,100
4- Accrued Subrogation and Salvage Income (+)	-	-	-	-	-	-	-	-	-	-
TECHNICAL EXPENSES	(136,160,358)	(9,985,003)	(680,843,814)	(275,723,481)	(88,640,242)	(13,349,393)	172,120	(53,634,681)	(334,325)	-(1,258,499,157)
1- Total Claims (Net of Reinsurer Share)	(63,301,845)	(4,988,653)	(500,329,995)	(223,947,163)	(35,448,112)	(10,694,983)	144,047	(3,635,957)	(251,786)	(842,454,447)
1.1- Claims Paid (Net of Reinsurer Share)	(69,870,299)	(4,593,868)	(468,924,052)	(160,244,363)	(21,391,356)	(9,285,428)	(131,018)	(4,393,647)	(469,621)	(739,303,652)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	6,568,454	(394,785)	(31,405,943)	(63,702,800)	(14,056,756)	(1,409,555)	275,065	757,690	217,835	(103,150,795)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other	-	(1,492)	-	-	(2,120)	2	-	-	-	(3,610)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other	(9,360,332)	(249)	(114,7312)	-	(211,163)	(139,404)	-	-	-	(10,858,460)
4- Operating Expenses	(55,684,107)	(4,880,372)	(141,672,650)	(49,869,708)	(51,261,197)	(2,285,122)	60,804	(48,961,864)	-	(354,554,216)
4.1- Production Commissions (-)	(78,814,503)	(7,311,780)	(99,382,347)	(37,204,303)	(62,995,294)	(13,297,385)	(6,655,130)	(57,036,340)	-	(362,697,082)
4.2- Reinsurance Commissions (+)	53,499,616	4,594,277	140	2,767,299	25,200,087	15,350,723	7,552,072	26,751,483	-	135,915,697
4.3- General Administrative Expenses	(30,369,220)	(2,162,869)	(42,290,443)	(15,432,704)	(13,465,990)	(4,338,460)	(636,138)	(18,677,007)	-	(127,372,831)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	(7,814,054)	(114,237)	(37,693,857)	(1,906,610)	(1,717,650)	(2,298,86)	(32,731)	(1,036,860)	(82,539)	(50,545,885)
6- Other Technical Expenses (Net of Reinsurer Share)	28,410,876	13,292,295	(42,912,358)	90,193,517	80,965,973	10,760,650	208,237	33,365,358	(187,353)	- 214,097,195
Investment Income	-	-	-	-	-	-	-	-	-	282,454,993
Depreciation expense	-	-	-	-	-	-	-	-	-	(17,960,439)
Provisions account	-	-	-	-	-	-	-	-	-	(32,383,804)
Tax expense	-	-	-	-	-	-	-	-	-	(40,115,659)
Financial expenses	-	-	-	-	-	-	-	-	-	(282,569,267)
Other	-	-	-	-	-	-	-	-	-	3,463,664
Net Profit / (Loss)	28,410,876	13,292,295	(42,912,358)	90,193,517	80,965,973	10,760,650	208,237	33,365,358	(187,353)	(87,110,512)
										126,986,683

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

6. Tangible Assets

December 31, 2018

Cost Value	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
1 January	1,598,569	-	23,957,267	21,412,252	-	46,968,088
Additions	-	2,720,001	562,303	487,572	-	3,769,876
Disposals	-	-	(778,031)	(847,387)	-	(1,625,418)
31 December	1,598,569	2,720,001	23,741,539	21,052,437	-	49,112,546
Accumulated Depreciation						
1 January Charge for the Period	(537,189)	-	(12,652,946)	(7,580,602)	-	(20,770,737)
Additions	(32,059)	(5,962)	(2,962,400)	(2,338,200)	-	(5,338,621)
Disposals	-	-	708,361	618,219	-	1,326,580
31 December	(569,248)	(5,962)	(14,906,985)	(9,300,583)	-	(24,782,778)
Net Book Value as of December 31	1,029,321	2,714,039	8,834,554	11,751,854	-	24,329,768

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

31 December 2017

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

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

7. Investment Properties

31 December 2018

Cost Value	Land	Buildings	Total
1 January	80,126	-	80,126
Disposals	(80,126)	-	(80,126)
Transfers	-	-	-
31 December	-	-	-
Accumulated Depreciation			
1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
December 31	-	-	-
Net Book Value as of December 31	-	-	-

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

31 December 2018

Cost Value	Land	Building	Total
1 January	80,126	-	80,126
Charge for the Period	-	-	-
31 December	80,126	-	80,126
Accumulated Depreciation			
1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
December 31	-	-	-
Net Book Value as of December 31	80,126	-	80,126

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

8. Intangible Assets

31 December 2018

Cost Value	Advances for Intangible Assets ⁽¹⁾	Rights	Total
1 January	2,600,646	87,041,349	89,641,995
Additions	1,222,639	22,896,917	24,119,556
Disposals	-	(3,828)	(3,828)
Transfers	(1,874,122)	1,874,122	-
31 December	1,949,163	111,808,560	113,757,723
Accumulated Amortization			
1 January	-	(43,097,276)	(43,097,276)
Charge for the Period	-	(15,024,380)	(15,024,380)
Disposals	-	3,827	3,827
31 December	-	(58,117,829)	(58,117,829)
Net book Value as of December 31	1,949,163	53,690,731	55,639,894

31 December 2017

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

⁽¹⁾ Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economical benefits no amortization is calculated over intangible assets.

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

The Company has no goodwill amount in its financial statements.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of December 31, 2018, the Company has an affiliate as Merter BV amounting to TL 30,116,653 (December 31, 2017: TL 30,116,653) with a 25% of participation. Since the Company do not have any effect on management of this affiliate the conclusive participation rate is 12,5% for each companies which own a shopping mall and an office building. Fair value of the investments in affiliates have identified by an independent real estate appraisal company and, TL 30,116,653 (December 31, 2017: TL 30,116,653) impairment has been detected and disclosed in financial statement as at December 31, 2018 (Note: 11.4).

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	31 December 2018	31 December 2017
Financial Assets Available for Sale	548,434,750	516,992,828
Financial Assets to be Held Until Maturity	9,752,674	-
Financial Investments with Risks on Policy Holders	1,686,241	2,514,414
Impairment Provision for Affiliates (-)	-	-
Total	559,873,665	519,507,242

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****Financial Assets Available for Sale**

	31 December 2018			31 December 2017		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value	Fair Value TL	Book Value TL
Private Sector bonds	218,835,732	233,265,994	233,265,994	217,089,791	226,548,745	226,548,745
Investment fund	142,717,574	168,805,442	168,805,442	189,348,522	232,976,958	232,976,958
Eurobond	134,782,226	122,684,814	122,684,814	58,976,694	57,120,310	57,120,310
Equity Shares (Listed on the stock exchange)	24,215,782	23,247,732	23,247,732	-	-	-
Equity Shares (Not listed on the stock exchange) Net	430,032	-	430,032	346,211	-	346,211
Government Bonds	736	736	736	736	604	604
Total	520,982,082	548,004,718	548,434,750	465,761,954	516,646,617	516,992,828

Held-to-Maturity Financial Assets

	31 December 2018			31 December 2017		
	Cost Value TL	Fair Value	Book Value TL	Cost Value	Fair Value	Book Value
Government Bonds	9,194,956	9,752,674	9,752,674	-	-	-

Financial Investment with Risks on Policy Holders

	31 December 2018			31 December 2017		
	Cost Value TL	Fair Value	Book Value TL	Cost Value	Fair Value	Book Value
Government Bonds	1,647,665	1,686,241	1,686,241	2,495,766	2,514,414	2,514,414

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

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,17	430,032	-	430,032
Unlisted		430,032	-	430,032
Total		24,645,814	23,310,784	23,677,764

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Unlisted		346,211	-	346,211
Total		346,211	-	346,211

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

As of December 31, 2018 and December 31, 2017, the blockage on financial assets in favour of Treasury and Finance Ministry has been disclosed in Note 17.1.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**11.2 Securities other than equity shares issued in the current period**

None (31 December 2017: None).

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

None (31 December 2017: None).

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

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

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

Affiliates

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

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

None (December 31, 2017: None).

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

Value increases and decreases (net-off deferred tax) reflect the difference between the book value and cost value of the financial assets at period end.

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Type of Financial Asset

	31 December 2018	31 December 2017	31 December 2016
Financial Assets Available for Sale	(13,298,346)	(18,088)	(9,003,806)

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8. Financial Instruments

Information related to hedge accounting has been disclosed in Note 34.5

11.9 Effects of Exchange Rate Differences

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**12. Receivables and Payables****12.1 Details of the Company's receivables**

	31 December 2018	31 December 2017
Receivables from insurance operations		
Receivables from agencies	396,286,545	331,720,383
Bank Guaranteed Credit Card Receivables More than Three Months	147,593,612	144,680,195
Receivables from reinsurance companies	28,935,600	27,938,691
Receivables for salvage and claim recovery - net (Note 2.1.1)	29,909,283	23,391,049
Other receivables	340,483	181,097
Receivables from insurance operations	603,065,523	527,911,415
Cash deposited for insurance and reinsurance companies	30,954	30,954
Receivables from insurance and reinsurance companies	30,954	30,954
Claim recovery receivables under legal follow-up	83,717,544	72,231,867
Doubtful receivables from main operations	32,693,245	29,239,482
Total provision amount for doubtful receivables	116,410,789	101,471,349
Receivables from main operations	719,507,266	629,413,718
Provision for due from insurance operations (-) ^(*)	(11,935,533)	(7,785,096)
Provision for doubtful receivables from main operations (-) ^(**)	(23,016,557)	(22,779,936)
Provision for net claim recovery receivables under legal follow-up (-) ^(**)	(83,717,544)	(72,231,867)
Total provision amount for doubtful receivables	(118,669,634)	(102,796,899)
Receivables from main operations - net	600,837,632	526,616,819

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

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

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

	31 December 2018	31 December 2017
Not due receivables	558,858,530	489,713,241
0-90 days	8,190,917	5,070,652
90 +	36,047,030	33,158,476
Total	603,096,477	527,942,369

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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

Type of Guarantee	31 December 2018		31 December 2017	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Real Estate Pledges	60,207,941	2,049,952	60,311,241	2,754,202
Letters of Guarantee	42,311,128	-	37,308,334	-
Government Bonds and Equity	376,202	-	240,487	-
Other	1,061,759	-	464,359	-
Total	103,957,030	2,049,952	98,324,421	2,754,202

As of December 31, 2018, the Company has useful collateral amount is that TL 35,967,624 (December 31, 2017: TL 35,013,874).

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

Doubtful trade receivable transactions

	2018	2017
Opening Balance, 1 January	(95,011,803)	(79,116,740)
Charge for the Period	(17,012,726)	(21,180,281)
Collections	5,290,428	5,285,218
Closing Balance - 31 December	(106,734,101)	(95,011,803)

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

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

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 103,957,030 as of December 31, 2018 (December 31, 2017: TL 98,324,421).

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

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

31 December 2018

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	5,165,611	5.2609	27,175,763
EUR	2,029,314	6.0280	12,232,705
GBP	55,032	6.6528	366,117
CHF	157,666	5.3352	841,180
Other			
Total			40,615,765

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	23,320,119	5.2609	122,684,814
Total			122,684,814

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	28,691,649	5.2609	150,943,896
EUR	17,295,218	6.0280	104,255,574
GBP	107,134	6.6528	712,741
CHF	8,052	5.3352	42,959
Other			
Total			255,955,170

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(6,818,960)	5.2609	(35,873,867)
EUR	(1,109,743)	6.0280	(6,689,531)
Other			(4,501)
Total			(42,567,899)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(35,271,589)	5.2609	(185,560,303)
EUR	(7,373,885)	6.0280	(44,449,779)
Other			(2,193,297)
Total			(232,203,379)

Net Foreign Currency Position			144,484,471
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AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

31 December 2017

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	6,135,494	3.7719	23,142,470
EUR	1,420,773	4.5155	6,415,500
GBP	92,357	5.0803	469,201
CHF	95,190	3.8548	366,938
Other			3,153
Total			30,397,262

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	15,141,844	3.7719	57,113,521
Total			57,113,521

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

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(6,355,551)	3.7719	(23,972,503)
EUR	(897,954)	4.5155	(4,054,711)
Other			(3,438)
Total			(28,030,652)

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

Off-balance sheet liabilities

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

Net Foreign Currency Position			66,970,116
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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

13. Derivative Financial Instruments

During the period between January 1 - December 31, 2017, total income resulting from short-term swap contracts' market valuation has been accounted under "Income from derivatives" in the income statement in amounting to TL 99,960,587 (January 1 - December 31 2017: TL 30,328,747).

14. Cash and Cash Equivalents

	31 December 2018	31 December 2017
Cash at Banks	1,485,633,722	966,463,093
Time Deposit	1,469,517,972	951,500,553
Demand Deposit	16,115,750	14,962,540
Bank Guaranteed Credit Card Receivables with Maturities less than three months	483,934,940	385,583,394
Total	1,969,568,662	1,352,046,487
Interest Accrual on Cash and Cash Equivalents	(11,676,242)	(3,036,758)
Blocked Deposits ⁽¹⁾	(194,431,282)	(148,506,702)
Cash Flow Based Grand Total	1,813,461,138	1,200,503,027

⁽¹⁾ Details of blocked deposits in the company's treasury are given in footnote 171.

The details of interest rates received from time deposits as of December 31, 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	18.00 - 30.00	7.75 - 15.95
USD	1.15 - 3.75	0.10 - 4.40
EUR	1.40 - 2.85	0.10 - 1.75

As of 31 December 2018, the maturities of TL deposits are between 2 January 2019 and 22 November 2011; while the currency of foreign exchange deposits varies between 2 January 2019 and 16 June 2019.

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

As 31 December 2018, there are 49,954,452 TL in the companies' other financial payables accounts. The Company has no repurchase agreements amounting to TL 49,954,452 which is accounted under Other Financial Liabilities account. (31 December 2017: None).

As of 31 December 2018, the Company has accounted TL 204,451 in the valuation of repurchase agreements. (31 December 2017: None) (Note 26).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

15. Share Capital

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

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

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

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

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

Legal Reserve

According to the Turkish Commercial Code, legal reserves; consists of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves cannot be distributed unless they exceed 50% of the total capital; however, they can be used to compensate for losses in case of depletion of reserve reserves. As of 31 December 2018, the Company has legal reserves amounting to TL 15,835,334.

Special Funds (reserves)	31 December 2018	31 December 2017
Hedge ⁽¹⁾	-	(17,618,783)
Actuarial (gain)/loss	3,602,019	3,242,827
Total	3,602,019	(14,375,956)

⁽¹⁾ The amount classified to the profit reserves arising from the foreign exchange hedge accounting is deducted from the foreign exchange losses account in the profit or loss table amounting to TL 22.023.479.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**Gains from sale of fixed asset**

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

Previous Years Profits/Previous Years Losses

According to the financial statements that reflect the results of the year 2017, the Company has decided to close all .1 Previous Years' Losses amounting to TL 4,714,112 with Retained Earnings Company. At the Ordinary General Assembly held on 14 March 2018, it was decided..

15.3 For each class of share capital**15.3.1 The explanation about the number of capital shares**

The Company's issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2016: 30,600,000,000 shares with a nominal amount of TL 0.01each).

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

None (31 December 2017: None).

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

Nominal value of equity shares is TL 0.01 per share (December 31, 2017 TL 0.01 per share).

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	31 December 2018	31 December 2017
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period	30,600,000,000	30,600,000,000

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company's Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company's capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (December 31, 2015: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the "Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law" (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

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

None (31 December 2017: None).

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

None (31 December 2017: None).

15.4 Share based payments

None (31 December 2017: None).

15.5 Subsequent events

Disclosed in note 46.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders' equity in the current period in accordance with other standards and interpretations

	31 December 2018	31 December 2017
Available for sale financial assets		
valuation difference	(13,298,346)	(18,088)
Deferred tax effect	2,659,669	3,618
Total	(10,638,677)	(14,470)

In accordance with changes regarding "TAS 19 – Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4.502.524 (Deferred tax effect: TL 900,505), (31 December 2017: 4,043,535 TL, Deferred tax effect: TL 810,707) resulting from retirement pay liability calculation has been accounted to "Other Reserves and Retained Earnings" under equity.

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (31 December 2017: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (31 December 2017: None).

16.4 Hedging against financial risks

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

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders' equity

	2018 Increase/ (Decrease)	2017 Increase/ (Decrease)
Beginning of the Period, 1 January	(14,470)	(7,203,045)
Increase / decrease in value recognized under the shareholders' equity in the current period	(10,624,207)	7,188,575
End of the Period	(10,638,677)	(14,470)

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

Disclosed in note 34.5.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

16.7 Revaluation increases in tangible fixed assets

None (31 December 2017: None).

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

None (31 December 2017: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company's guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	31 December 2018		31 December 2017	
	Amount to be Provided	Current Blockage	Amount to be Provided	Current Blockage
	TL	TL	TL	TL
Life	1,609,847	1,686,241	1,752,502	2,514,414
Government Bonds		1,686,241		2,514,414
Non-Life ^(*)	192,033,411	194,431,282	143,688,634	148,506,702
Time Deposit		194,431,282		148,506,702
Total	193,643,258	196,117,523	145,441,136	151,021,116

^(*) As of December 31, 2018, the required guarantee amount has been calculated based on capital requirements in August 31, 2018. The Company has on behalf of Treasury and Finance Ministry, TL144,431,282 time deposits and TL 50,000,000 credit card blocked.

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurances and their mathematical reserves**

	2018		2017	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period 1 January	195	1,609,127	251	1,526,588
Participations in the Current Period	-	-	-	-
Leavings in the Current Period	(14)	(135,491)	(56)	82,539
End of Period December 31,	181	1,473,636	195	1,609,127

Mathematical reserves amounting to TL 1.326.272 (December 31, 2017: TL 1,448,214) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting TL 147,364 (December 31, 2017: TL 160,913) and cancelled policy numbers together with their mathematical reserves are included in the table above.

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

17.3 Insurance guarantees given ton on life insurances based on insurance branches

Branch	31 December 2018 Amount	31 December 2017 Amount
Motor Crafts Liability	20,830,248,339,935	13,878,960,700,217
Fire and Natural Disaster	774,813,336,135	617,946,854,752
General Losses	343,647,533,783	296,542,475,228
Transportation	203,454,329,909	121,720,256,160
Financial Losses	127,495,793,682	74,207,920,751
Air-Crafts Liability	99,646,391,975	26,982,150,652
Motor Own Damage	83,398,602,747	60,499,452,006
General Liability	46,269,250,717	92,779,648,466
Accident	43,772,951,606	46,045,029,467
Health	13,785,470,579	15,408,442,900
Legal Protection	11,172,942,871	10,990,444,901
Credit	2,839,757,128	937,307,090
Air Crafts	2,727,411,879	2,612,647,022
Water Crafts	1,296,038,530	1,353,710,516
Fidelity Guarantee	696,497,821	961,083,936
Total	22,585,264,649,297	15,247,948,124,064

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

None (December 31, 2017: None).

17.5 Number and amount of participation certification in portfolio and circulation

None (December 31, 2017: None).

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

None (December 31, 2017: None).

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

None (December 31, 2017: None).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**17.8 Number of the additions and their group or individual gross and net share participations in the current period**

None (December 31, 2017: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (December 31, 2017: None).

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

None (December 31, 2017: None).

17.11 Number of transfers from the Company's individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2017: None).

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

None (December 31, 2017: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

17.14 Profit share distribution rate of life insurances in the current period

In the current period, profit share distribution rate of life insurances are calculated as below:

	December 31 2018 Profit Share Distribution (%)	December 31 2018 Profit Share Distribution (%)
TL (Life Insurance)	9.00	9.00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31 2018: None).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:****Reinsurance Assets**

	December 31 2018	December 31 2017
Reinsurance Share of Outstanding Claims Reserve (Note 4.1.2.2)	1,246,875,833	825,611,541
Reinsurance Share of Unearned Premiums Reserve (Note 20)	729,548,075	587,846,796
Equalization Provision Reinsurer Share (Note 20)	106,980,739	73,534,993
Ongoing Risks Provision Reinsurer Share (Note 20)	106,920,200	15,070,795
Cash Deposited For Insurance & Reinsurance Companies (Note 12.1)	28,935,600	27,938,691
Deposits of Reinsurance Company (Note 12.1)	30,954	30,954
Total	2,219,291,401	1,530,033,770

Reinsurance Debts

	December 31 2018	December 31 2017
Payables to Insurance and Reinsurance Companies (Note 19.1)	418,719,301	308,244,281
Deferred Commissions Income (Note 19.1)	101,508,921	78,231,263
Total	520,228,222	386,475,544

Income / Expense on Reinsurance Agreements

	January 1 December 31 2018	January 1 December 31 2017
Reinsurance Share of Outstanding Claims Reserve	421,264,292	410,516,692
Reinsurance Share of Claims Paid	413,315,933	328,476,291
Commissions Received (Note 32)	185,468,908	135,515,697
Reinsurance Share of Unearned Premiums Reserve (Note 20)	141,701,279	202,117,528
Ongoing Risks Provision Reinsurer Share (Note 20)	91,849,405	15,070,795
Premiums Ceded to Reinsurers (-)	(1,416,078,435)	(1,078,291,217)
Total	(162,478,618)	13,405,786

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

Branch	December 31 2018			December 31 2017		
	Premiums Ceded ^(*)	Reinsurance Share of Technical Reserves ^(**)	Reinsurance Share of Claims Paid	Premiums Ceded ^(*)	Reinsurance Share of Technical Reserves ^(**)	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(454,026,634)	159,942,377	65,720,990	(400,623,270)	400,905,986	68,451,531
Motor Crafts Liability	(263,518,344)	48,115,680	63,183,494	(128,452,509)	87,338,412	3,926,591
General Losses	(208,394,172)	177,975,645	61,624,079	(168,548,834)	110,368,578	46,984,778
Health	(197,240,929)	17,125,835	139,053,623	(171,856,227)	9,709,844	129,212,768
General Liability	(127,797,176)	157,516,426	13,466,669	(75,628,559)	67,771,597	10,566,020
Financial Losses	(50,921,124)	34,942,571	193,604	(56,611,750)	18,563,887	1,748,012
Transportation	(39,171,887)	19,576,653	13,072,656	(23,453,742)	7,973,580	7,578,790
Air Crafts Liability	(22,011,019)	82,703,649	982,119	(9,517,648)	(1,429,982)	274,084
Accident	(14,381,153)	(1,867,876)	6,231,867	(20,311,748)	10,865,917	1,078,153
Air Crafts	(12,295,731)	13,197,053	2,975,866	(3,904,072)	23,212,149	2,012,878
Fidelity Guarantee	(10,826,395)	2,064,586	21,551,490	(11,229,981)	(108,285,019)	54,477,763
Water Crafts	(8,346,619)	3,342,133	544,799	(3,783,221)	752,795	1,263,946
Motor Own Damage	(4,403,548)	(453,808)	24,331,938	(1,241,836)	(463,664)	(510)
Credit	(2,743,704)	2,167,002	382,739	(1,914,294)	(675,392)	901,487
Assistance	-	-	-	(1,213,526)	(86,555)	-
Total	(1,416,078,435)	716,347,926	413,315,933	(1,078,291,217)	626,522,133	328,476,291

^(*) As explained in Note 2.15, Transferred Premiums amounted to TL 100.356.222 (31 December 2017: TL 49,964.536) transferred to the Social Security Institution as of 31 December 2018.

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

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

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

	2018	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	386,475,544	1,530,033,770
Net change of the year	133,752,678	689,257,631
End of the period-December 31	520,228,222	2,219,291,401

	2017	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	222,845,499	861,420,568
Net change of the year	163,630,045	668,613,202
End of the period December 31	386,475,544	1,530,033,770

17.20 Deferred production commissions and deferred commission income

The part of the commissions paid to the intermediaries for the premiums written and the commissions received from the reinsurers due to the premiums transferred to the reinsurers are accounted for in the balance sheet under "Deferred manufacturing expenses" and "deferred commission income" accounts, respectively, and in the Income Statement under the operating expenses account. Deferred commission expenses and deferred commission income as of 31 December 2018 amounted to TL 222.173.395 (31 December 2017: TL 197.757.608) and TL 101.508.921 (31 December 2017: TL 78.231.263), respectively, deferred production expenses and deferred tax commission income is included in account items.

18. Investment Contract Liabilities

Disclosed in Note 17.3.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**19. Trade and Other Payables, Deferred Income****19.1 Sub-classifications of presented items in the Company's operations line with**

	December 31 2018	December 31 2017
Payables from Insurance and Reassurance Operations (Note 17.16)	418,719,301	308,244,281
Payables from Insurance Operations	418,719,301	308,244,281
Negotiated service and debts to institutions	54,098,804	8,522,694
Payables to sellers	26,701,130	15,121,193
Current account of natural catastrophe insurance	18,902,758	24,947,212
DASK debts to agencies	937,702	714,749
Other	3,961,451	3,305,549
Other Payables	104,601,845	52,611,397
Payables to SSI regarding medical expenses	28,112,544	24,110,925
Deferred commission income (Not 17.16)	101,508,921	78,231,263
Expense accruals (Not 23.4)	40,333,473	36,798,073
Other	210,173	-
Deferred Income and Expense Accruals	142,052,567	115,029,336
Total Short Term Liabilities	693,486,257	499,995,939
Total Trade and Other Payables, Deferred Income	693,486,257	499,995,939

19.2 Related Party Disclosures

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

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20. Payables

Insurance Technical Reserves	December 31 2018	December 31 2017
Unearned Premiums Reserve- Net ⁽¹⁾	1,040,175,238	883,931,028
Unexpired Risks Reserve- Net (Note 4.1.2.2)	849,402,337	579,989,028
Equalization Provision - Net	82,348,570	70,564,376
Ongoing Risks Provision- Net	20,653,057	476,121
Mathematical Reserves-Net	1,473,636	1,609,127
Bonus and Discount Provisions- Net	97,055	7,067
Total	1,994,149,893	1,536,576,747

⁽¹⁾ While calculating the income statement effect of the provisions for unearned premiums, TL 501,585 the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2017: TL 49,612).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of December 31, 2018 which is TL 53,437,849 (December 31, 2017: TL 35,362,066).

The movement of technical reserves are as follows:**Unearned Premium Reserve:**

	December 31 2018			December 31 2017		
	Gross	Reinsurance Share⁽¹⁾	Net	Gross	Reinsurance Share⁽¹⁾	Net
Beginning of the Period, January 1	1,471,777,824	(587,846,796)	883,931,028	995,397,646	(385,729,268)	609,668,379
Net change	297,945,489	(141,701,279)	156,244,210	476,380,178	(202,117,528)	274,262,649
End of the Period - December 31	1,769,723,313	(729,548,075)	1,040,175,238	1,471,777,824	(587,846,796)	883,931,028

⁽¹⁾ The reinsurance share for unearned premiums also includes the share of SSI amounting to TL 18,075,783 (31 December 2017: TL 24,819,657),

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

Unexpired Risk Reserve:

	December 31 2018			December 31 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	15,546,916	(15,070,795)	476,121	-	-	-
Net change	112,026,341	(91,849,405)	20,176,936	15,546,916	(15,070,795)	476,121
End of the Period - December 31	127,573,257	(106,920,200)	20,653,057	15,546,916	(15,070,795)	476,121

Equalization Reserve:

	December 31 2018			December 31 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	144,099,369	(73,534,993)	70,564,376	102,406,679	(42,700,763)	59,705,916
Net change	45,229,940	(33,445,746)	11,784,194	41,692,690	(30,834,230)	10,858,460
End of the Period - December 31	189,329,309	(106,980,739)	82,348,570	144,099,369	(73,534,993)	70,564,376

Provision for bonus and discount

	December 31 2018			December 31 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	539,637	(532,570)	7,067	1,718,909	(1,715,452)	3,457
Net change	61,622,938	(61,532,950)	89,988	(1,179,272)	1,182,882	3,610
End of the Period - December 31	62,162,575	(62,065,520)	97,055	539,637	(532,570)	7,067

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Outstanding claims reserve:

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

21. Deferred Income Tax

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

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

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSI") as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers' order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publication in the Official Gazette no: 26479 on March 31, 2007.

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

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

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

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2018 and December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of December 31, 2018, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of %20.3 (December 31, 2017: %11.92) and a discount rate of 16.4% (December 31, 2016: %10.90), resulting in a real interest rate of 4% (December 31, 2017: 3%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirements pay is also taken into account.

However, during this estimation, other conditions other than the ages specified in subparagraphs (a) and (b) of the first paragraph of Article 60 of Law 506, which are stated in paragraph 1 of Article 14 of Article 14 of the Labor Law No. 1475, temporary. According to Article 81, the severance payments to be made due to the fact that they complete the insured period (15 years) and the number of premium payment days (3600 days) foreseen to be connected to the old-age pension are separated from their estimations.

In accordance with changes regarding "TAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4,502,524 (Deferred tax effect: TL 900,505) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

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As the maximum liability is updated semi annually, as of December 31, 2018, the maximum amount of TL 6,017.60 effective from January 1, 2019 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2017: TL 5.001.76).

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

	2018	2017
Beginning of the period, January 1	6,172,934	6,335,367
Charge for the period (Note 47)	1,156,310	1,278,953
Actuarial Gain/Loss	448,990	(286,973)
Retirement Payments (-)	(1,274,550)	(1,154,413)
End of the period , December 31	6,503,684	6,172,934

23, Other Liabilities and Expense Accruals**23,1 Provisions related to employee benefits and others**

	2018		2017	
	Unused Vacationions Provisions	Social Security Premiums Payable	Unused Vacationions Provisions	Social Security Premiums Payable
Beginning of the period, January 1	1,317,302	1,879,776	904,395	1,529,095
Movements in the Current Period	734,404	24,473,923	688,184	20,382,565
Payments in the Current Period	(217,708)	(26,185,374)	(275,277)	(20,031,884)
End period, December 31	1,833,998	168,325	1,317,302	1,879,776

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23.2 Total Amount of Non-liability Commitments

Company's statement of pledges and commitments as of December 31, 2018 and December 31, 2017 are presented below:

Collaterals, Pledges and Mortgages Given by the Company(CPM)	December 31 2018		December 31 2017	
	Amount in Original Currency	Amount TL	Amount in Original Currency	Amount TL
A, Total amount of CPM's given on behalf of the Company legal entity	-	-	-	-
B, Total amount of CPM's given in favor of joint ventures included in full consolidation	-	-	-	-
C, Total amount of CPM's given as the guarantee of the third parties for the maintenance purpose of the ordinary activities		7,871,027		1,456,494
	TL	7,871,027	1,456,494	1,456,494
	USD	-	-	-
D, Total amount of the other CPM's given		565,250		565,250
i, Total amount of CPM's given in favor of the parent company	-	-	-	-
ii, Total amount of CPM's given in favor of other group companies not included in clauses B and C	-	-	-	-
iii, Total amount of CPM's given in favor of third parties not included		565,250		565,250
	TL	565,250	565,250	565,250
Total		8,436,277		2,021,744

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

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23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	December 31 2018	December 31 2017
Outstanding Claims under Litigation ⁽¹⁾	483,639,563	352,548,626
Guarantee fund provision	1,833,998	1,317,302
Business Cases Provision	1,831,997	1,767,737
Total	487,305,558	355,633,665

Contingent Assets	December 31 2018	December 31 2017
Subrogation Receivable Litigations, Gross	111,065,416	96,509,691
Trade Receivable Litigations and Executions	5,290,428	4,123,647
Total	116,355,844	100,633,338

⁽¹⁾ Outstanding claims provision consists of net receivables, interest and expenses & agency fees in the amount of TL 304,027,179, TL 89,019,831 and TL 90,592,553 respectively.

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. Large taxpayers were interviewed by the Tax Office on February 15, 2018, and on February 27, 2018 a lawsuit was filed against the Grand Taxpayers' Office as no compromise could be reached. In the cases of 2009, 2010, 2011 and 2012, in tax litigation related to BITT, Tax Court has decided in favor of the Company in the cases of 2009 and 2010. The cases of 2011 and 2012 continue before the Tax Court.

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23.4 Provision for Expense Accruals

	December 31 2018	December 31 2017
Commission provision ⁽¹⁾	16,206,481	13,551,374
Guarantee fund provision	10,312,123	5,767,191
Performance premium provision	7,131,516	7,412,366
Expense provision	1,847,440	3,572,557
Allowance	1,833,998	1,317,302
Business Cases Provision	1,831,997	1,767,737
Other	1,169,918	3,409,546
Total	40,333,473	36,798,073

⁽¹⁾ Commission provision to be distributed to the agency, bank and institutional channels for the current period.

24. Net Insurance Premium Revenue

	January 1 - December 31, 2018		
	Gross	Reinsurance share	Net
Motor Crafts Liability ⁽¹⁾	1,148,315,010	(263,518,344)	884,796,666
Motor Own Damage	697,318,864	(4,403,548)	692,915,316
Fire and Natural Disaster	603,474,892	(454,026,633)	149,448,259
General Losses	286,340,038	(208,394,172)	77,945,866
Health	276,667,894	(197,240,929)	79,426,965
General Liability	147,366,359	(127,794,593)	19,571,766
Financial Losses	89,717,322	(50,921,124)	38,796,198
Transportation	64,471,366	(39,171,887)	25,299,479
Accident	38,627,594	(14,383,736)	24,243,858
Air Crafts Liability	22,012,545	(22,011,019)	1,526
Fidelity Guarantee	12,434,072	(10,826,396)	1,607,676
Air Crafts	12,296,076	(12,295,731)	345
Water Crafts	10,769,330	(8,346,619)	2,422,711
Legal Protection	4,638,457	-	4,638,457
Credit	2,888,110	(2,743,704)	144,406
Total - Non-life branches	3,417,337,929	(1,416,078,435)	2,001,259,494
Written premium - Life branch	500	-	500
Total	3,417,338,429	(1,416,078,435)	2,001,259,994

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	January 1 - December 31, 2017		
	Gross	Reinsurance share	Net
Motor Crafts Liability ⁽¹⁾	615,463,625	(128,452,509)	487,011,116
Motor Own Damage	641,095,251	(1,241,836)	639,853,415
Fire and Natural Disaster	551,330,601	(400,623,269)	150,707,332
General Losses	254,447,444	(168,548,834)	85,898,610
Health	258,676,249	(171,856,227)	86,820,022
General Liability	95,846,388	(75,625,419)	20,220,969
Financial Losses	92,966,730	(56,611,750)	36,354,980
Transportation	42,645,397	(23,453,742)	19,191,655
Accident	43,568,056	(20,314,888)	23,253,168
Air Crafts Liability	9,520,639	(9,517,648)	2,991
Fidelity Guarantee	12,829,555	(11,229,981)	1,599,574
Air Crafts	3,904,920	(3,904,072)	848
Water Crafts	5,579,292	(3,783,221)	1,796,071
Legal Protection	4,368,483	-	4,368,483
Credit	2,015,046	(1,914,294)	100,752
Assistance	1,318,624	(1,213,527)	105,097
Total - Non-life branches	2,635,576,300	(1,078,291,217)	1,557,285,083
Written premium - Life branch	6,000	-	6,000
Total	2,635,582,300	(1,078,291,217)	1,557,291,083

⁽¹⁾ Reinsurance share of land vehicles liability branch amounting to TL 100,356,222 (January 1 - December 31, 2017: TL 49,964,536) includes premiums to be ceded to SSI.

25. Fee Income

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

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	January 1- December 31 2018	January 1- December 31 2017
Realized Investment Income / Expenses		
Term Deposit	134,571,404	72,441,744
Investment Fund	45,306,113	12,249,750
Private Sector Bonds	38,878,959	21,704,811
Eurobond	5,455,559	5,097,418
Stock	906,063	-
Treasury Bond	9	(5,188,145)
Government Bond	(1,282,630)	3,217,798
Repo	-	(4,021,330)
Total	223,835,477	105,502,046
Unrealized Investment Income / Expenses		
Private Sector Bonds	8,699,472	5,994,903
Term deposit	8,640,751	2,793,155
Government Bond	509,345	213,330
Treasury bond	(134,624)	(140,971)
Repo	(204,451)	(95,948)
Eurobond	(555,163)	(350,761)
Stock	(968,050)	-
Investment Fund	(16,261,480)	21,215,340
Total	(274,200)	29,629,048
Investment Income/Expense, Net	223,561,277	135,131,094

27. Net Accrual Income on Financial Assets

	January 1- December 31 2018	January 1- December 31 2017
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(10,638,677)	(14,470)
Total	(10,638,677)	(14,470)

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28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 116.515 as of December 31, 2017 (January 1 - December 31, 2016: TL 30.131.143).

29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	January 1- December 31 2018	January 1- December 31 2017
Motor Crafts Liability	(210,138,814)	(63,702,800)
General Liability	(29,964,887)	(13,257,310)
Fire and Natural Disaster	(16,831,553)	6,568,454
Motor Own Damage	(4,310,317)	(31,405,943)
Financial Losses	(3,412,376)	(508,591)
General Losses	(1,785,497)	(1,653,017)
Fidelity Guarantee	(1,143,831)	(253,915)
Transportation	(708,767)	56,091
Water Crafts	(512,121)	(450,876)
Health	(390,215)	757,690
Credit	(102,000)	10,259
Legal Protection	(98,957)	(74,879)
Accident	(73,007)	550,705
Air Crafts Liability	(8,294)	30
Air Crafts	(1,857)	(4,528)
Total Non-life	(269,482,493)	(103,368,630)
Life	69,184	217,835
Total (*)	(269,413,309)	(103,150,795)

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

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30. Investment Agreement Types

None (December 31 2017: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

30. Expense Type:

	January 1- December 31 2018	January 1- December 31 2017
Production Commissions (-)	(468,505,879)	(362,697,082)
Employee Wages and Expenses (-) ⁽¹⁾ (Note 33)	(86,697,215)	(75,829,468)
Information Technology Expenses (-)	(13,968,033)	(12,881,357)
Rent Expenses (-)	(9,969,274)	(9,712,100)
Advertisement Expenses (-)	(8,157,833)	(2,886,405)
Transportation Expenses (-)	(6,340,803)	(4,759,529)
Meeting and Training Expenses (-)	(5,573,241)	(5,226,925)
Social Relief Expenses (-) (Note 33)	(4,247,148)	(3,695,946)
Outsourcing Service Expenses (-)	(3,458,983)	(5,222,990)
Repair and Maintenance Expenses (-)	(2,764,470)	(2,459,355)
Communication Expenses (-)	(1,367,610)	(1,387,774)
Reinsurance Commissions (+)	185,468,908	135,515,697
Other (-)	(5,759,675)	(3,310,982)
Total	(431,341,256)	(354,554,216)

⁽¹⁾ The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees wages and expenses.

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31. Employee Wages and Expenses

	January 1- December 31 2018	January 1- December 31 2017
Salary and Bonus Payments	(72,854,650)	(61,945,775)
Insurance Payments	(11,377,334)	(10,130,654)
Other Payments	(6,712,379)	(7,448,985)
Total (Note 32)	(90,944,363)	(79,525,414)

32. Financing Cost

32.1 Financial Expenses:

None. (December 31 2017: None).

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

None. (December 31 2017: None.).

32.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

32.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

32.5 Hedge accounting principle

Cash Flow hedging principle

None.

Type risk and principle of the cash flow hedge

None.

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

None (December 31 2017: None).

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

33. Corporate Tax

	December 31 2018	December 31 2017
Current Tax Liability:		
Corporate Tax Liability Provision on Period Profit	66,694,754	40,115,659
Prepaid Taxes and Other Liabilities on Period Profit (-)	(54,453,247)	(31,394,677)
Total	12,241,507	8,720,982
	January 1- December 31 2018	January 1- December 31 2017
Tax (Expense) / Income is Formed by the Items Below:		
Current Tax Income / (Expense)	(66,694,754)	(40,115,659)
Deferred Tax Income / (Expense) due to Temporary Differences	120,044	8,888,211
Total Tax Income / (Expense)	(66,574,710)	(31,227,448)
Deferred Tax	2018	2017
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	2,659,669	3,618
Hedge Effect	-	(4,404,696)
Actuarial Gain/Loss Effect	900,505	810,707
	3,560,174	(3,590,371)

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

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

Deferred tax items are as follows:

Assets / (Liabilities) Deferred Tax Assets / (Liabilities)	Temporary differences December 31 2018	Temporary differences December 31 2017	Deferred Tax Assets / (Liabilities) December 31 2018	Deferred Tax December 31 2017
Provision for impairment (Note 9)	30,116,653	30,116,653	6,625,664	6,625,664
Ongoing Risks	20,653,057	476,121	4,543,673	104,747
Marketable securities valuation difference	13,298,346	18,088	2,659,669	3,618
Balancing Equivalent	7,444,150	6,623,717	1,637,713	1,457,218
Performance premium provision (Note 23.4)	7,131,516	7,412,366	1,568,934	1,630,721
Provision for employment termination benefits (Note 22)	6,503,684	6,172,934	1,300,737	1,234,587
Provision for doubtful receivables	3,874,390	3,514,000	852,366	773,080
Expense reserves (Note 23.4)	3,552,176	3,572,557	781,479	785,963
Investment Fund Valuation Difference	2,064,543	(4,573,879)	454,199	(1,006,253)
Unused vacation allowance (Note 23.4)	1,833,998	1,317,302	403,480	289,806
Investment fund valuation effect	711,767	-	156,589	-
Bonuses and Discounts	97,055	3,609	21,352	794
Tangible and intangible assets economic life differences	(18,331,315)	(9,849,203)	(4,032,892)	(2,166,825)
Other	-	(139,753)	-	(30,746)
Deferred Tax Assets / (Liabilities)	78,950,020	44,664,512	16,972,963	9,702,374

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Corporation tax reconciliation is as below:

Confirmation of Tax Provision	2018	2017
Profit Before Tax	294,193,790	158,214,131
Tax Calculated: 22%	(64,722,634)	(31,642,826)
Effect of Additions	(20,416,770)	(41,172,606)
Effect of Allowances	18,444,650	19,475,023
Financial Profit / (Loss)	(66,694,754)	(53,340,409)
Deducted past year losses	-	13,224,750
Corporate Tax Liability Provision on Period Profit	(66,694,754)	(40,115,659)

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

	2018	2017
Profit before tax	294,193,790	158,214,131
Calculated tax revenue: %22 (2017: %20)	(64,722,634)	(31,642,826)
Term Tax Payment (Note 2.1.1)	(396,040)	769,473
Disallowable expenses	(1,456,036)	(354,095)
Total Tax Expense	(66,574,710)	(31,227,448)

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****34. Net Foreign Exchange Gain/Loss**

	January 1- December 31 2018	January 1- December 31 2017
Recognized in Profit / Loss:		
Foreign Exchange Income	314,166,805	111,807,006
Foreign Exchange Expense ⁽¹⁾	(278,335,770)	(102,833,841)
	35,831,035	8,973,165

⁽¹⁾ The amount classified to the profit reserves arising from the foreign exchange hedge accounting is deducted from the foreign exchange losses account in the profit or loss table amounting to TL 22.023.479.

35. Earnings per Share

	2018	2017
Number of Equity Shares Outstanding	30,600,000,000	30,600,000,000
Beginning Period, 1 January	30,600,000,000	30,600,000,000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding	30,600,000,000	30,600,000,000
End of Period, December 31	30,600,000,000	30,600,000,000
Weighted Average Number of Outstanding Shares (Unit of 1; 0.01 TL)	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	227,619,080	126,986,683
Earnings / (Loss) per Share (TL)	0.744	0.415

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

36. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 14, 2017, dividend distribution to shareholders was TL 110,600,000 based on the 2017 operating results.

37. Cash Generated from the Operations

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

38. Equity Share Convertible Bonds

None (December 31, 2017: None).

39. Cash Convertible Privileged Equity Shares

None (December 31, 2017: None).

40. Risks

The Company's contingent asset and liabilities are presented in Note 23.3.

41. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

42. Business Combinations

None (December 31 2017: None).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

43. Related Parties

Related Party Receivables / (Payables)

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

Premium production

	January 1- December 31 2018	January 1- December 31 2017
Related Parties	154,398,316	163.873.621
Shareholders	1,854,496	3.186.378
Total	156,252,812	167.059.999

Claims Paid

	January 1- December 31 2018	January 1- 31 December 2017
Related Parties	50,063,599	63,513,075
Shareholders	-	154
Total	50,063,599	63,513,229

Interest Income Received from Related Part

	January 1- December 31 2018	January 1- December 31 2017
Related Parties	85,857,323	55,466,309
Total	85,857,323	55,466,309

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Commission Expenses

	January 1- December 31 2018	January 1- December 31 2017
Related Parties	109,359,530	109,097,706
Total	109,359,530	109,097,706

Bank Deposit

	December 31, 2018	December 31, 2017
Related Parties	322,410,622	455,146,116
Total	322,410,622	455,146,116

Private Sector Bonds

	December 31, 2018	December 31, 2017
Related Parties	48,709,250	45,670,100
Total	48,709,250	45,670,100

Investment Funds

	December 31, 2018	December 31, 2017
Related Parties	168,805,699	232,967,097
Total	168,805,699	232,967,097

Related Party Receivables / (Payables)

	December 31, 2018	December 31, 2017
Related Parties	62,857,652	41,157,345
Shareholders	61,264	37,671
Total	62,918,916	41,195,016

44. Subsequent Events

None.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****45. Other**

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

Other Receivables	December 31, 2018	December 31, 2017
Receivables from Tarım Sigortaları A.Ş.	12,961,070	11,024,553
Receivables from Agencies due to DASK Premiums	4,489,770	3,674,862
Other Receivables	2,699,367	1,610,009
Total	20,150,207	16,309,424
Other Short Term Payables	December 31, 2018	December 31, 2017
Payables to contracted enterprises	54,098,804	8,522,694
Payables to suppliers	26,701,130	15,121,193
Payables to Turkish Catastrophe Insurance Pool	18,902,758	24,947,212
Turkish Catastrophe Insurance Pool Payables to agencies	937,702	714,749
Other	3,961,451	3,305,549
Total	104,601,845	52,611,397
Other Prepaid Expenses	December 31, 2018	December 31, 2017
Prepaid Expenses ⁽¹⁾	5,062,036	10,239,430
Total	5,062,036	10,239,430
Other Prepaid Expenses (Long Term)	December 31, 2018	December 31, 2017
Prepaid Expenses ⁽¹⁾	149,980	2,963,592
Total	149,980	2,963,592

⁽¹⁾ The amount of TL 2,793,062 (December 31, 2017: TL 6,703,348) prepaid expenses and the amount of TL 2,793,062 prepaid expenses for future years have arisen from operational leases of the Company,

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

Assistance services under other technical expenses in the income statement, amounting to TL 59,405,229 (December 31, 2017: TL 50,545,885), consist of deferral of these amounts and technical expenses of these services,

Income and Profit / Expenses and Losses from	January 1- December 31, 2018	January 1- December 31, 2017
Other and Extraordinary Activities		
Provisions Account (+/-)	(47,271,113)	(32,383,804)
Provisions for doubtful receivable (Note 12,1)	(17,012,726)	(15,723,304)
Retirement pay provision ⁽¹⁾	(15,960,000)	(6,985,000)
Donation	(10,312,123)	(5,767,192)
Portfolio Management	(2,312,055)	(1,489,626)
Unused vacation provision (Note 22)	(1,156,310)	(1,278,953)
Guarantee Fund Provision (Note 23,1)	(734,404)	(688,184)
Provisions for other expenses	216,505	(451,545)
Compulsory earthquake insurance account (+/-)	1,135,070	723,867
Deferred tax asset account (+/-) (Note 35)	120,044	8,888,211
Other income and profits	1,303,230	392,086
Other expenses and losses (-)	(8,529,838)	(6,540,500)
Banka expenses	(6,068,798)	(3,036,841)
Certificate of insolvency	-	(1,207,559)
Disallowable expenses	(532,217)	(964,163)
Certificate of Insolvency	(1,183,892)	(468,909)
Other	(744,931)	(863,028)
Total	(53,242,607)	(28,920,140)

⁽¹⁾ Donations to be paid to Hacı Ömer Sabancı Foundation.

AKSIGORTA A.Ş.

APPENDIX I – STATEMENTS OF PROFIT DISTRIBUTION

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

AKSIGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Audited Current Period (01/01/2018 – 31/12/2018)	Audited Current Period (01/01/2017 – 31/12/2017)
I, Distribution of profit for the period		-	-
1,1, Profit for the period		294,313,834	167,102,342
1,2, Taxes payable and legal liabilities		66,694,754	(40,115,659)
1,2,1, Corporation tax (Income tax)		66,694,754	(40,115,659)
1,2,2, Income tax deduction		-	-
1,2,3, Other taxes and legal liabilities		-	-
A, Net profit for the period (1,1 - 1,2)		227,619,080	126,986,683
1,3, Previous years' losses (-)		-	86,350,467
1,4, First legal reserve		11,380,954	6,349,334
1,5, Legal reserves kept in the company (-)		-	-
B, Net distributable Profit for the period [(a - (1,3 + 1,4 + 1,5)]		216,238,126	120,637,349
1,6, First dividend to shareholders (-)		-	15,300,000
1,6,1, To common shareholders		-	15,300,000
1,6,2, To preferred shareholders		-	-
1,6,3, To owners of participating redeemed shares		-	-
1,6,4, To owners of profit-sharing securities		-	-
1,6,5, To owners of profit and loss sharing securities		-	-
1,7, Dividends to personnel (-)		-	-
1,8, Dividends to founders (-)		-	-
1,9, Dividends to board of directors (-)		-	-
1,10, Second dividends to shareholders (-)		-	94,860,000
1,10,1, To common shareholders		-	94,860,000
1,10,2, To preferred shareholders		-	-
1,10,3, To owners of participating redeemed shares		-	-
1,10,4, To owners of profit-sharing securities		-	-
1,10,5, To owners of profit and loss sharing securities		-	-
1,11, Second legal reserve (-)		-	9,486,000
1,12, Statutory reserves (-)		-	-
1,13, Extraordinary reserves		-	991,349
1,14, Other reserves		-	-
1,15, Special funds		-	-
II, Distribution from reserves		-	-
2,1, distributed reserves		-	-
2,2, second legal reserve (-)		-	-
2,3, dividends to shareholders (-)		-	-
2,3,1, To common shareholders		-	-
2,3,2, To preferred shareholders		-	-
2,3,3, To owners of participating redeemed shares		-	-
2,3,4, To owners of profit-sharing securities		-	-
2,3,5, To owners of profit and loss sharing securities		-	-
2,4, Dividends to employees (-)		-	-
2,5, Dividends to board of directors (-)		-	-
III, Profit per share		-	-
3,1, To common shareholders		-	0,36
3,2, To common shareholders (%)		-	-
3,3, To preferred shareholders		-	-
3,4, To preferred shareholders (%)		-	-
IV, Dividends per share		-	-
4,1, To common shareholders		-	110,160,000
4,2, To common shareholders (%)		-	-
4,3, To preferred shareholders		-	-
4,4, To preferred shareholders (%)		-	-

⁽¹⁾ As of 31 December 2017 the profit distribution table has been prepared according to the General Assembly held on 21 March 2018

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