

**(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.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Estimation of claims incurred but not reported</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.</p>



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

AKSIGORTA A.Ş.

**THE FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2018**

CONTENTS	PAGE
BALANCE SHEETS.....	1-5
STATEMENTS OF INCOME	6-7
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY.....	8-9
STATEMENTS OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11-80
APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION	81

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			
I- CURRENT ASSETS	Note	Audited Current Period (31/12/2018)	Audited Previous Period (31/12/2017)
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			
II- NON CURRENT ASSET	Note	Audited Current Period (31/12/2018)	Audited Restated Previous Period (31/12/2017)
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	6 and 7	24,329,768	26,277,477
1- Investment Properties	7	-	80,126
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1,598,569	1,598,569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	23,390,144	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	8	55,639,894	46,544,719
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		16,972,963	9,702,374
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			
III- SHORT TERM LIABILITIES	Note	Audited	Audited Restated
		Current Period (31/12/2018)	Previous Period (31/12/2017)
A- Borrowings		58,448,710	-
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	19.1	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			
IV- LONG TERM LIABILITIES	Note	Audited Current Period (31/12/2018)	Audited Restated Previous Period (31/12/2017)
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	Audited
		Current Period (31/12/2018)	Previous Period (31/12/2017)
A- Paid in Capital		306,000,000	306,000,000
1- 1- (Nominal) Capita	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.)

I-TECHNICAL PART	Notes	Audited	Audited Restated
		Current Period 01/01/2018-31/12/2018	Previous Period 01/01/2017-31/12/2017
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
D- Life Technical Income		135,124	146,972
1. Earned Premiums (Net of Reinsurer Share)		500	6,000
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.

AKSİGORTA 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.)

II-NON TECHNICAL PART	Note	Audited	Audited
		Current Period 01/01/2018-31/12/2018	Previous Period 01/01/2017-31/12/2017
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.

AKSİGORTA 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	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2017)	306,000,000	-	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565
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	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	(17,977,975)	-	-	(17,977,975)
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.

AKSİGORTA 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(*)

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	-	(7,203,045)	-	-	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 16.1)	-	-	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

(*) 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

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

**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.

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

(*) 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).

**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 (Continued)

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

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry ("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.

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.

**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.)

2 Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

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 Gazzette 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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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	Applied Method	December 31 2018			December 31 2017	
		Gross Additional Reserve	Net Additional Reserve		Gross Additional Reserve	Net Additional Reserve
Motor Liability	Frequency/Severity / Standard Chain	469.201.267	469.201.272	Frequency/Severity Standard	264.561.317	264.561.317
General Liability	/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 Craft 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.

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 tough 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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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

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			
	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination	Threshold	# 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

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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).

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

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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

	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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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).

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).

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

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 pre stated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses 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).

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

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

- **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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

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 far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

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

- **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.

- **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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

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

- **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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.5 Foreign Currency Translation (Continued)

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

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

2.6 Tangible assets

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

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

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

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

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

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

	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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

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

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

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

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

2.10 Impairment of Assets

Impairment of non-financial assets

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets (Continued)

Impairment of financial assets

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

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

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

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

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

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

2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts.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 (Note14).

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.)

2. Summary of the Accounting Policies (Continued)

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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Reinsurance agreements:

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

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

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

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

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of "The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees" (the "Law") numbered 6111 and dated 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

**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.)

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Premiums Transferred to Social Security Institution (Continued)

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

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 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.

**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.)

2. Summary of the Accounting Policies (Continued)

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 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).

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.20 Provisions (Continued)

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).

2.22 Profit Share Distribution

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

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

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

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

**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.)

2. Summary of the Accounting Policies (Continued)

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.

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.

**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.)

2. Summary of the Accounting Policies (Continued)

2.25 Foreign currency transactions

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

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

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

	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.

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.

**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.)

4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

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.

Reinsurance Company Notification 2018

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+		

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.)

4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

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:

Total Claims Liability (*)	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
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

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

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 (*)	(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

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

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.)

4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

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

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 IBNR	(251,105,751)	72,749,056	(178,356,695)	(185,026,795)	53,035,488	(131,991,307)
	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.:

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

Accident period	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/01/2017	1/01/2018	Gross Claim
	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	
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:

Accident period	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/01/2017	1/01/2018	Gross Claim
	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	
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

**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.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

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

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on 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)

**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.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

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.

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.

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.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

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 1	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)	-

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.)

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table (Continued)

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	-	-	-	2,514,414	-	-	2,514,414
Investments 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)	-

Categories of Financial Assets:

Current Financial Assets	December 31, 2018		December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	548,434,750	548,434,750	516,992,828	516,992,828
Financial Investments with Risks on Policy Holders	9,752,674	9,752,674	-	-
Impairment Provision for Affiliates	1,686,241	1,686,241	2,514,414	2,514,414
Değer Düşüklüğü Karşılığı	-	-	-	-
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

**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.)

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

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
	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.

**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.)

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Financial assets

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

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

Financial liabilities

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

5. Segment Information

5.1 Operating segments

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

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

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

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.)

5. Segment Information (Continued)

5.1 Operating segments (Continued)

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 d	Undistributed	Total
TECHNICAL INCOME	185,637,479	36,269,725	717,902,265	940,876,705	194,455,167	25,428,504	66,370	111,275,378	135,124	-	2,212,046,717
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- Accured 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	(142,916,550)	(14,973,476)	(797,503,215)	(695,016,344)	(118,214,710)	(17,701,655)	(73,899)	(57,577,812)	(162,937)	-	(1,844,140,598)
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)	(367,607)	-	(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	-	(269,413,309)
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)	-	(155,970)	(430,848)	-	-	-	-	(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)	(8,361,485)	(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)
	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)	-	367,906,119
Financial income	-	-	-	-	-	-	-	-	-	659,044,752	659,044,752
Depreciation expense	-	-	-	-	-	-	-	-	-	(20,363,001)	(20,363,001)
Provisions account	-	-	-	-	-	-	-	-	-	(47,271,113)	(47,271,113)
Tax expenses	-	-	-	-	-	-	-	-	-	(66,694,754)	(66,694,754)
Financial expenses	-	-	-	-	-	-	-	-	-	(659,031,429)	(659,031,429)
Other	-	-	-	-	-	-	-	-	-	(5,971,494)	(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

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.)

5. Segment information

5.1 Operating segments (Continued)

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

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	164,571,214	23,277,298	637,931,456	365,916,998	169,606,215	24,110,043	36,117	87,000,039	146,972	-	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) (+/-)	(9,576,482)	(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
Investment Income transferred from Non-Technical Part	-	-	3,386,688	-	-	-	-	435,000	-	-	3,821,688
2- Investment Income transferred from Non-Technical Part	-	(15,269)	-	-	(460,852)	-	-	-	-	-	(476,121)
3- Other Technical Income (Net of Reinsurance Share)	-	-	-	-	-	-	-	-	-	-	-
4- Accrued Subrogation and Salvage Income (+)	5,028,424	183,228	1,497,526	4,492,397	289,292	75,148	-	(31,915)	-	-	11,534,100
TECHNICAL EXPENSES	(136,160,338)	(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 Technical Expenses	-	(1,492)	-	-	(2,120)	2	-	-	-	-	(3,610)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(9,360,332)	(249)	(1,147,312)	-	(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	7,352,072	26,751,483	-	-	135,515,697
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 (+/-)	-	-	-	-	-	-	-	-	(82,539)	-	(82,539)
6- Other Technical Expenses (Net of Reinsurer Share)	(7,814,054)	(114,237)	(37,693,857)	(1,906,610)	(1,717,650)	(229,886)	(32,731)	(1,036,860)	-	-	(50,545,885)
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	282,454,993
Depreciation expense	-	-	-	-	-	-	-	-	-	(17,960,439)	(17,960,439)
Provisions account	-	-	-	-	-	-	-	-	-	(32,383,804)	(32,383,804)
Tax expense	-	-	-	-	-	-	-	-	-	(40,115,659)	(40,115,659)
Financial expenses	-	-	-	-	-	-	-	-	-	(282,569,267)	(282,569,267)
Other	-	-	-	-	-	-	-	-	-	3,463,664	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

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.)

6. Tangible Assets

December 31, 2018

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
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
<u>Accumulated Depreciation</u>						
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

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
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
<u>Accumulated Depreciation</u>						
1 January Charge for the Period	(505,122)	-	(10,064,184)	(5,527,156)	-	(16,096,462)
Disposals	(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

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.)

7. Investment Properties**31 December 2018**

<u>Cost Value</u>		<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	-	80,126	-	80,126
Disposals	-	(80,126)	-	(80,126)
Transfers	-	-	-	-
31 December		-	-	-
<u>Accumulated Depreciation</u>				
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

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

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.)

8. Intangible Assets

31 December 2018

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
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
<u>Accumulated Amortization</u>			
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

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
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

(*) 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.

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.

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.)

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

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
Borsa İstanbul Unlisted		24,215,782	23,247,732	23,247,732
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
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	346,211	-	346,211
Unlisted		346,211	-	346,211
Total		346,211	-	346,211

**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. Financial Assets (Continued)

11.1 Subcategories of Financial Assets (Continued)

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.

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	Participation Rate %	31 December 2018		Participation Rate %	31 December 2017	
		Cost Value TL	Book Value TL		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.

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)

**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. Financial Assets (Continued)

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.

12. Receivables and Payables

12.1 Details of the Company's receivables

	<u>31 December 2018</u>	<u>31 December 2017</u>
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:

	<u>31 December 2018</u>	<u>31 December 2017</u>
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

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 (Continued)

12.1 Details of the Company's receivables (Continued)

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).

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 (Continued)

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

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 (Continued)

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

31 December 2017

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	6,135,494	3.7719	23,142,470
EUR	1,420,773	4.5155	6,415,500
GBP	92,357	5.0803	469,201
CHF	95,190	3.8548	366,938
Other			3,153
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	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	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

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.)

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 (*)	(194,431,282)	(148,506,702)
Cash Flow Based Grand Total	1,813,461,138	1,200,503,027

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

The details of interest rates received from time deposits as of 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).

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.)

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(*)	-	(17,618,783)
Actuarial (gain)/loss	3,602,019	3,242,827
Total	3,602,019	(14,375,956)

(*) 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.

Gains from sale of fixed asset

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

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..

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.)

15. Share Capital (Continued)

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2016: 30,600,000,000 shares with a nominal amount of TL 0.01 each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (31 December 2017: None).

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

Nominal value of equity shares is TL 0.01 per share (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

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.

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.)

15. Share Capital (Continued)

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.

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)

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.)

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

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

Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (31 December 2017: None).

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

None (31 December 2017: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company's guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	31 December 2018		31 December 2017	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage 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.

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).

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. Insurance Liabilities and Reinsurance Assets (Continued)

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).

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).

**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. Insurance Liabilities and Reinsurance Assets (Continued)

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	December 31 2018
	Profit Share Distribution	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).

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

Reinsurance Assets

	December 31	December 31
	2018	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	December 31
	2018	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	January 1
	December 31	December 31
	2018	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

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. Insurance Liabilities and Reinsurance Assets (Continued)

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

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.

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

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. Insurance Liabilities and Reinsurance Assets (Continued)

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.

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.

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.)

20. Payables

Insurance Technical Reserves	December 31 2018	December 31 2017
Unearned Premiums Reserve- Net (*)	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

(*) 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(*)	Net	Gross	Reinsurance Share(*)	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

(*) 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),

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

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.)

20. Payables (Continued)

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 - 31 December	62,162,575	(62,065,520)	97,055	539,637	(532,570)	7,067

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 publishment 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.

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.

**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.)

22. Retirement and Welfare Liabilities (Continued)

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.

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

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.)

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

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:

	December 31 2018		December 31 2017	
	Amount in Original Currency	Amount TL	Amount in Original Currency	Amount TL
Collaterals, Pledges and Mortgages Given by the Company(CPM)				
A, Total amount of 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	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	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).

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.)

23, Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	December 31 2018	December 31 2017
Outstanding Claims under Litigation (*)	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

(*) 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.

23.4 Provision for Expense Accruals

	December 31 2018	December 31 2017
Commission provision (*)	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

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

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.)

24. Net Insurance Premium Revenue

	January 1 - December 31, 2018		
	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	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 t	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

	January 1 - December 31, 2017		
	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	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 t	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

(*) 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.

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.)

25. Fee Income

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

26. Investment Income/(Expense)

	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)

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).

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.)

29. Insurance Rights and Demands

	January 1- December 31 2018	January 1- December 31 2017
Outstanding Claims Reserve Expenses		
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.

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 (-) (*) (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
Diğer (-)	(5,759,675)	(3,310,982)
Total	(431,341,256)	(354,554,216)

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

AKSIGORTA A.Ş.

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

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

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).

33. Corporate Tax

	December 31 2018	December 31 2017
<u>Current Tax Liability:</u>		
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
<u>Tax (Expense) / Income is Formed by the Items Below:</u>	January 1- December 31 2018	January 1- December 31 2017
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)

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.)

33. Corporate Tax (Continued)

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%.

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:

Deferred Tax Assets / (Liabilities)	Temporary differences December 31 2018	Temporary differences December 31 2017	Deferred Tax Assets / (Liabilities) December 31 2018	Deferred Tax Assets / (Liabilities) 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

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)

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.)

33. Corporate Tax (Continued)

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)

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 (*)	(278,335,770)	(102,833,841)
	35,831,035	8,973,165

(*) 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 Beginning Period, 1 January	30,600,000,000	30,600,000,000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, 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

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.

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.)

41. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

42. Business Combinations

None (December 31 2017: None).

43. Related Parties

Related Party Receivables / (Payables)

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

<u>Premium production</u>	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
<u>Claims Paid</u>	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
<u>Interest Income Received from Related Part</u>	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
<u>Commission Expenses</u>	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
<u>Bank Deposit</u>	December 31, 2018	December 31, 2017
Related Parties	322,410,622	455,146,116
Total	322,410,622	455,146,116
<u>Private Sector Bonds</u>	December 31, 2018	December 31, 2017
Related Parties	48,709,250	45,670,100
Total	48,709,250	45,670,100
<u>Investment Funds</u>	December 31, 2018	December 31, 2017
Related Parties	168,805,699	232,967,097
Total	168,805,699	232,967,097
<u>Related Party Receivables / (Payables)</u>	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

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.)

44. Subsequent Events

None.

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 (*)	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 (*)	149,980	2,963,592
Total	149,980	2,963,592

(*) 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,

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 Other and Extraordinary Activities	January 1- December 31, 2018	January 1- December 31, 2017
Provisions Account (+/-)	(47,271,113)	(32,383,804)
Provisions for doubtful receivable (Note 12,1)	(17,012,726)	(15,723,304)
Retirement pay provision (*)	(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)

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2018

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

AKSİGORTA 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 (%)		-	-

(*) As of 31 December 2017 the profit distribution table has been prepared according to the General Assembly held on 21 March 2018