MİLLİ RE

Annual Report 2018

90 YEARS

Local Leader, Global Partner

CONTENTS

90 | YEARS
Local Leader, Global Partner

Milli Re, proudly celebrating its 90th anniversary,
is one of the well-established reinsurance companies in Europe.

Milli Re was established by Türkiye İş Bankası (İşbank) on 26 February 1929 to manage the compulsory reinsurance system, and commenced operations on 19 July 1929.

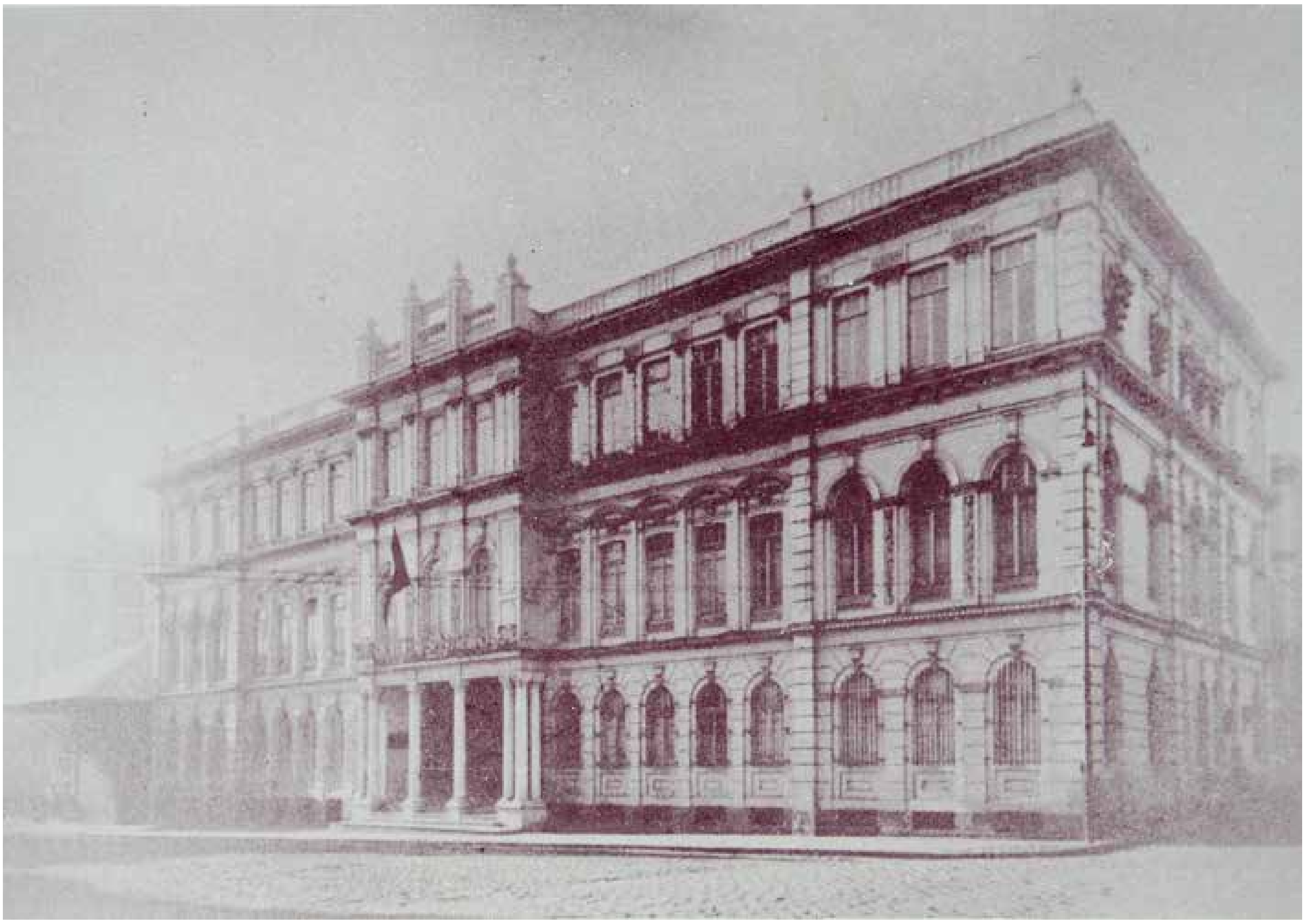
As the world's first and only privately owned company to hold the right to manage the reinsurance monopoly for all lines of business, Milli Re embraces a pioneer role for the Turkish insurance market to reach a sustainable and sound structure.

Milli Re, being the sole reinsurance company active in the Turkish insurance market with local capital, continues to distinguish as a reputable, strong and well accepted service provider in international markets with its business experience and robust financial structure as it keeps moving forward along a century long path.

While materializing its contribution to the Turkish economy every passing period, Milli Re also proves its support to culture, art and sports with its long termed projects.

Vision

Reinforce our key role as lead reinsurer in the local market and become a preferred business partner in the international markets.

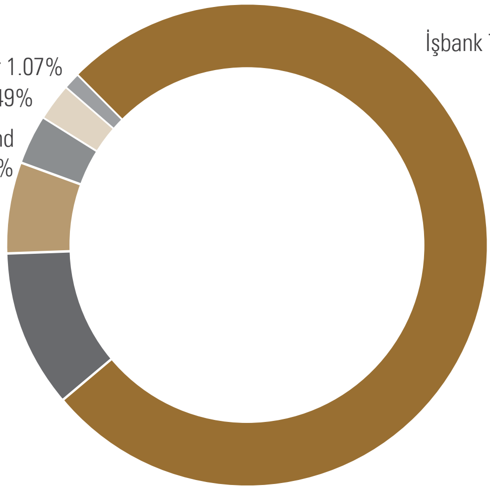


Having started its operations in 1929 at İşbank's İstanbul Branch, Milli Re moved to Türkiye Han which it bought shortly afterwards.

Mission

- Delivering effective solutions in compliance with best practice standards,
- Further strengthening our robust capital base,
- Developing ethical and transparent business relations while focusing on value creation,
- Aligned with the company goals, enhancing the development, performance and motivation of our employees.

SHAREHOLDER STRUCTURE



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	505,810,925.41	76.64
Milli Reasürans Staff Supplementary Pension Fund	69,604,853.95	10.55
Groupama Emeklilik A.Ş.	38,809,894.19	5.88
Ankara Natural Electricity Generation and Trade Co. Inc.	22,240,455.60	3.37
Ziraat Bank	16,430,944.19	2.49
Other	7,102,926.66	1.07
Total	**660,000,000**	**100.00**

Note: Shareholders controlling 1% or greater stakes in the Company are shown here above.

Capital Increases
There were no capital increases during 2018.

Changes in the Shareholder Structure during 2018
There were no changes in the shareholder structure during 2018.

Changes in the Articles of Association during 2018
There were no changes in the Articles of Association during 2018.

Disclosures on Preferred Shares
There are no preferred shares.

CORPORATE PROFILE

Milli Re was established by Türkiye İş Bankası (İşbank) on the compulsory reinsurance system, and commenced operations on 19 July 1929.

As the world's first and only privately owned company that managed a compulsory reinsurance system for all lines of business, Milli Re has played an important role in the formation and development of the insurance industry in Turkey. Following the termination of the compulsory reinsurance system, the Company redefined its goals and strategies in alignment with the current conditions and via its strategy of opening to international markets, today continues to serve as a global, prestigious and trusted reinsurer.

Milli Re has been making every effort to support the development of the insurance industry in Turkey and provide high quality service. The Company meets reinsurance needs of the market with best possible terms and conditions, contributing significantly to customer satisfaction of insurance companies by providing prompt claim settlements.

While operating the compulsory reinsurance system, the Company also made various contributions to the country such as;

- Nationalization of the Turkish insurance industry,
- Generation of continuous revenue for the Undersecretariat of Turkish Treasury,
- Significant reduction in the outflow of foreign currency,
- Providing insurance training and education programs for the insurance industry,
- Conducting top notch international relations.

Milli Re managed Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1967 to 1995, which was originally established under the name of RCD Pool.

While managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool since 1974, Milli Re also undertook the management of the Turkish Catastrophe Insurance Pool (TCIP) between 2000 and 2005 where it was a co-founder.

As part of Milli Re's strategy to expand to international markets, the Company began writing business from these markets in 2006. In alignment with this strategy, Singapore Branch was opened in 2007.

By bringing its merited reputation and technical knowledge gained in the Turkish market to international arena and with the support of its financial strength, Milli Re continues to maintain its credibility in international markets through its strong performance.

On 09 August 2018, A.M. Best assigned Milli Re a global rating of B+ with a negative outlook. Milli Re's national scale rating was affirmed as "tr A+" by Standard&Poor's (S&P) on 17 August 2018.

Possessing the structural competence in all aspects and the capital base, Milli Re's main objective is to achieve sustainable growth by translating its strong position in the local insurance market and its business model closely monitoring risk/return balance to international markets.

Milli Re Singapore Branch

As part of its strategy to expand to international markets, Milli Re, like many other international reinsurers, examined the benefits of establishing regional branches. Consequently, Singapore Branch was opened in view of the significance of Far East in the global insurance market, as well as its potential business volume and geographical location.

Having received the license for operation from the Monetary Authority of Singapore (MAS) in November 2007, Singapore Branch began writing business from 01 April 2008. With its well qualified and highly experienced workforce of 12 people, Singapore Branch plays an important role in international operations of Milli Re.

Anadolu Sigorta

Holding 57.31% share in its capital, Milli Re is the principal shareholder of Anadolu Anonim Türk Sigorta Şirketi, one of the largest and well established insurance companies in the Turkish insurance industry.

MILESTONES

1929

Milli Re was founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.


MİLLİ REASÜRANS

Türk Anonim Şirketi

AŞİREFENDİ CADDESİ TÜRKİYE HAN
POSTA KUTUSU : 359
SİRKECİ, İSTANBUL

Milli Re continued its activities at Türkiye Han where it moved on 1929.

1963

The management of "Turkish Reinsurance Pool", established to write international business was handed over to Milli Re in accordance with the agreement signed with Turkish insurance companies.

1967

The management of "RCD Fire Reinsurance Pool", established under the agreement of "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was handed over to Milli Re.

1970

The management of the system known as "Decree Pool", established according to Decree no. 17 set out by the Ministry of Finance on the Protection of the Value of Turkish Currency was handed over to Milli Re.

"Türk Sigorta Enstitüsü Vakfı" (Turkish Insurance Institute Foundation) was established by Milli Re and the Association of the Insurance and Reinsurance Companies of Turkey.

1974

The management of "FAIR Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed over to Milli Re.

1982

Compulsory reinsurance cessions to Milli Re on Quota Share basis were changed to Surplus basis.

1986

MİLTAŞ Sports Complex, which hosts the traditional "International Insurers Tennis Tournament" organization was built by Milli Re and was brought into the service of the market.

1991

Milli Re began to offer conventional reinsurance capacity through reinsurance treaties apart from "Compulsory Cessions" and "Decree Pool".

First issue of "Reasürör" magazine was published. The magazine is a reference source with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines.

1993

Milli Re moved from its head office in Istanbul Sirkeci to its new office building constructed in Teşvikiye.

MILESTONES

1994

Milli Re Art Gallery, a corporate gallery where art works by prominent local and foreign artists are exhibited, was opened.

1996

Milli Re Chamber Orchestra was established. The orchestra is made up of artists, most of whom also continue their solo music careers, and the orchestra performs with the participation of renowned local and international artists and conductors.

2000

Turkish Catastrophe Insurance Pool (TCIP) set up alongside the "Compulsory Earthquake Insurance" system established by the Undersecretariat of Turkish Treasury became operational under the management of Milli Re.

2001

Risk-based Compulsory Reinsurance System came to an end.

2005

Milli Re became the only active local reinsurance company in the Turkish market after the acquisition of Destek Reasürans T.A.Ş.

2006

Milli Re began to write business from international markets.

Decree Pool was terminated.

2007

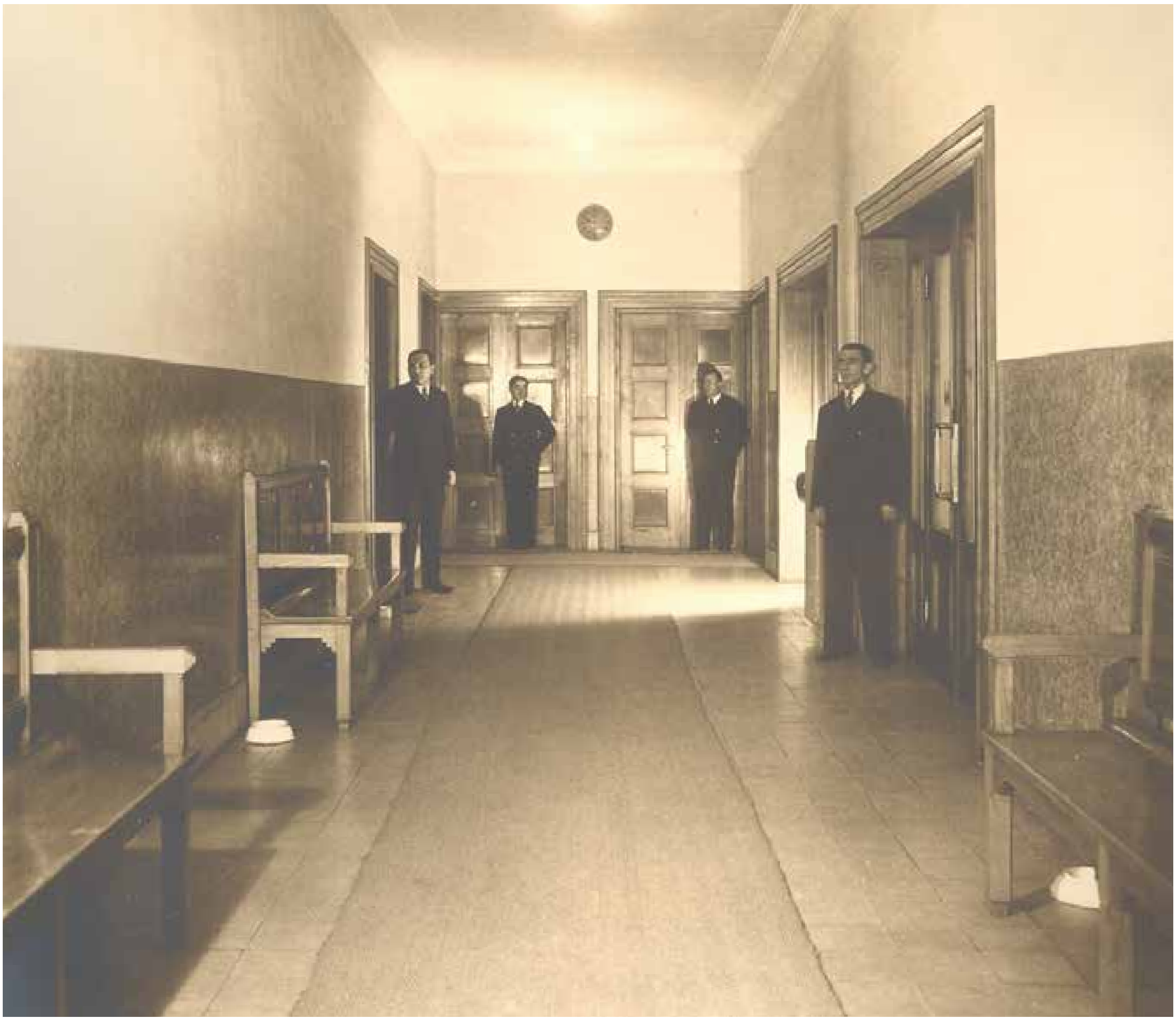
Singapore Branch, which plays an important role for Milli Re in international markets, was opened.

2010

Milli Re acquired an additional 35.53% stake in Anadolu Sigorta, another group company. Accordingly, Milli Re, Turkey's one and only active local reinsurer increased its share in the capital of Anadolu Sigorta to 57.31%, one of the largest and well-established insurance companies in the industry.

2018

In its 90th year of operation Milli Re's paid in capital was TL 660 million while assets reached TL 3,738 million, shareholders' equity amounted to TL 1,736 million and premium volume was TL 1,320 million. By bringing its merited reputation and technical knowledge gained in the Turkish market to international arena, with the support of its financial strength, Milli Re, being a preferred business partner both in the local and international markets, owing to its strong performance and credibility, will continue providing the required support to insurance companies.



Management floor of Milli Re's
Türkiye Han building

steady

Milli Re has developed a balanced and diversified portfolio in accordance with its steady and profit-oriented risk management strategy.

90 years

Milli Re maintained its leading position in the local market and continued to be a preferred business partner in the international markets thanks to the expertise and experience which it owes to its 90 years of deep-rooted history.

CHAIRMAN'S MESSAGE

Milli Re grew its premium production by around 22% to TL 1,320 million in 2018. 69% of the total premium was generated from local business, while 31% was obtained from international operations.

In 2018, despite the positive expectations prevailing at the beginning of the year, rising geopolitical risks as well as the proliferation of protectionist trade measures, which were heavily used as a political tool between US and China, adversely affected the global economic activity from mid-year onwards. Nevertheless, world economy maintained previous year's 3.7% growth rate, albeit lower than the initial estimates.

Euro Area preserved the same growth performance as in the previous period, nevertheless it started slowing down beginning with the third quarter. Uncertainties arising from Brexit, as well as other factors such as anti-government demonstrations in France and Italy's budget crisis are among other issues negatively impacting markets.

On the other hand, even though temporarily suspended for the negotiations, the US-China trade war picked up the pace in 2018 and had a negative impact on China's economy, which was showing signs of recovery. Further to the developments in the global markets during the second half of the year, Turkey and some other emerging economies faced substantial currency depreciations. This situation impacted balance sheets of companies, while tightening of financial conditions and increasing resource costs disrupted the general economic activity.

Policies of central banks of developed economies as well as global liquidity conditions are considered to be fundamental for Turkey and other developing countries during 2019. Based on the assumption that gradual tightening in liquidity conditions shall continue while the central banks in developed economies would act based on expectations; no substantial cash outflow from developing markets is anticipated and the year 2019 is estimated to continue moderately.

In our country where the economic growth rate was 7.4% during the first quarter of 2018, the turmoil of August in local financial markets weakened the confidence to the economy, and adversely affected the consumption and investment demand. Consequently growth rate during the third quarter of 2018 was recorded as 1.8%; in the fourth quarter economy shrank by 3% compared to the same period of the previous year and as at the end of the year growth rate was recorded as 2.6%. On the other hand, both trade and current account deficits shrank in 2018. By the end of the year, exports grew by 7% and reached USD 168 billion. However due to the slowdown in domestic demand and appreciation of hard currencies, imports decreased by 4.6% and was recorded as USD 223 billion.

Upward movement in oil prices, appreciation in foreign exchange basket against TL by 37% as well as the increase in food prices caused an upsurge in inflation level. Reaching up to 25.2% in October, the consumer price inflation dropped back to 20.3% by the end of the year as a result of the precautions taken by the government.

Turkey shifted to a new governmental system further to the Presidential elections held in June 2018 and macroeconomic plans and policies for the period of 2019-2021 were set by the government, unveiling its new economic program "Stabilization, Discipline and Transformation" in September 2018, followed by the announcement of "all-out war" on inflation program. In accordance with the measures taken and policies implemented, stabilization in exchange rates and a limited decline in interest rates were obtained during the last quarter of the year.

Natural catastrophes occurring in 2018 caused a total economic loss of approximately USD 160 billion. Even though significantly lower than the record level of USD 350 billion of 2017, the amount was still above the USD 140 billion average of the past 30 years, of which USD 80 billion is estimated to be absorbed by the insurance industry. Increase in the frequency of the catastrophe events especially during the second half of the year did not lead to any significant negativity for the reinsurance buyers owing to the continuing excess reinsurance capacity, while risk selection of reinsurers were tailor-made with differences in pricing based on each buyer.

According to the data published by the Insurance Association of Turkey; the premium volume of Turkish insurance market grew by 17% and reached TL 54.7 billion in 2018. Besides the 22% increase in Land Vehicles Third Party Liability, Fire/Natural Disasters insurance premiums grew by 21%, and Agriculture by 27%. However the growth in total market premium is caused by double counting arising from the premiums transferred to the High Risk Insurance Pool for Land Vehicle Third Party Liability and in real terms market premiums shrank.

Milli Re with its balanced and diversified portfolio developed in accordance with a profit-oriented risk management strategy, grew its premium production by around 22% to TL 1,320 million in 2018, which was a turbulent year for both the Turkish and global economy. 69% of the total premium was generated from local business, while 31% was obtained from international operations. Milli Re's total assets reached TL 3,738 million, shareholders' equity amounted to TL 1,736 million and the net profit was recorded as TL 278 million at the end of 2018.

Marking its 90th anniversary in 2018 and being one of the oldest active reinsurers in Europe, Milli Re continues its steady performance owing to its know-how and experience as well as its strong financial structure combined with its competence of accurate and prompt perception and assessment of market dynamics. Company's well-established corporate culture as well as the respect and trust gained in the local and international markets remain as the main pillars for providing added value not only to insurance and reinsurance markets, but also to our country's economy.

On behalf of myself and the Board of Directors, I would like to thank our shareholders, business partners and employees for their greatest contributions in our strategy to be a preferred business partner.

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

GENERAL MANAGER'S MESSAGE

As of 2019 renewals, Milli Re maintained its market share of 27% in the local market by leading the reinsurance contracts of the majority of ceding companies buying reinsurance protection on proportional bouquet basis.

In 2018 where several global risks with potential threats to the economic equilibrium were on the rise, global economy is expected to reach a growth rate of 3.7%, close to the rate obtained in 2017, despite various developments.

Global immigration problem arising from the geopolitical developments in the Middle East foremost the civil war in Syria were the political factors indirectly impacting the financial markets in 2018. Fed's interest rate increases, US policies putting protectionist trade measures on the agenda, uncertainty caused by Brexit, protests in France which started as a reaction against the general economic conditions and spread all around the country as well as the budget crisis between Italy and the EU Commission stood out as the other main contributors shaping the global markets.

Even though positive economic growth was sustained throughout the year in USA and the European Union, the adverse effect of US trade restrictions on demand during the second quarter of the year and loss of momentum in Euro Zone, increasing uncertainty on economic policies, signalled global economic slowdown for the next period. Deterioration in the economic outlook of some developing countries, currency devaluations, tighter monetary and fiscal policies as well as increasing borrowing costs raised concerns that deceleration of economic expansion and fluctuations in economy would be inevitable in 2019. However, indicators that central banks in advanced economies would be opting for cautious policies in line with the market parameters create positive expectations for developing markets.

2018 was a year where rapidly changing agenda influenced economic and political areas in Turkey. Operation Olive Branch, shifting to a new government system with 24 June Presidential Elections, downward revisions in Turkey's country and banking sector credit notes, restoration of sanctions on Iran, CBT (Central Bank of Turkey) interest rate hike as well as the announcement of "all-out war" on inflation following New Economic Program were the major developments which effected the course of markets in 2018.

With economic growth rate reaching 7.4% and 5.3% respectively during the first two quarters of 2018, Turkey showed strong economic performance and continued its positive differentiation from other emerging countries. However, in the second half of the year, economic outlook changed, and growth rate remained only at 1.8% for the third quarter, nevertheless during the same quarter rising export levels supported the market trend towards economic equilibrium. Relative positive developments in Turkey's foreign relations along with the rapid decline in oil prices stood out as important developments supporting upward movement in Turkish-lira denominated assets.

According to the 2018 year-end figures released by the Insurance Association of Turkey, Turkey's Insurance Industry premium volume is registered as TL 54.7 billion, increasing by around 17% compared to the previous year. 87% of the market premium was generated from Non-Life and 13% from Life business. Despite the premium growth achieved in Fire and Natural Disasters, Health and Agriculture, total premium volume of the market decreased by 2% in real terms. Main factors causing this reduction were the ongoing price cap imposed on Land Vehicles Liability as well as the negative impact of decreasing consumer and housing credits on Life Insurance premium growth, given the increasing interest rates and general economic slowdown. On the other hand, high interest rate environment stimulated financial investments to generate substantial revenues, which compensated for the negative technical results and contributed to balance sheet profitability.

Total economic cost of natural disasters to the global economy in 2018 is estimated to be USD 160 billion. While this amount reached USD 350 billion in 2017, the average of the past 30 years' historical losses was recorded as USD 140 billion. Decreasing by 43% compared to last year, global insured losses fell back to USD 80 billion. Moreover, 2018 was the fourth costliest year ever on inflation-adjusted basis and similar to the previous years catastrophe events emanating from the climate change dominated the statistics.

GENERAL MANAGER'S MESSAGE

17%

According to 2018 year-end figures released by the Insurance Association of Turkey, insurance industry in Turkey has produced TL 54.7 billion premium with an increase of 17% over the previous year.

65% of the total global industry losses were caused by natural catastrophes driven by hurricane and wildfire events in USA. Europe started off the year with heavy weather conditions and Extratropical Cyclone Friederike, being effective in January, stood out as the costliest natural disaster recorded in the first half of 2018.

Other regions experienced significant natural disasters as well and Typhoon Jebi striking Japan and some parts of Philippines in September is recorded to be the strongest storm in Japan's history since Typhoon Yancy in 1993. On the other hand, the severest event of 2018 Pacific hurricane season was Typhoon Mangkhut, which took hundreds of lives.

Despite the increased frequency of catastrophe events in 2018 and deterioration of losses related to 2017 catastrophes beyond expectations, with abundant capacity available, no major changes with regards to terms and conditions were observed during January 2019 renewals. Moreover, new regulations regarding capital adequacy requirements as well as buyers' tendency to purchase more cover in the aftermath of increasing frequency of natural catastrophe losses caused overall demand for reinsurance to show modest growth. In terms of pricing, while the market did not follow a common trend; due to reinsurers opting for a tailor-made approach in assessing their cedants, some buyers were able to secure rate reductions whereas some others renewed with higher costs.

Even though no major natural catastrophe or risk event losses occurred in 2018, factors such as slowdown in the general economy, the stagnation in investment activity and its adverse effects on construction and real estate sectors as well as the falling prices in a competitive environment, caused a pressure on premium incomes of reinsurance treaties of ceding companies operating in Turkey. As of 2019 renewals, Milli Re maintained its market share of 27% in the local market by leading the reinsurance contracts of the majority of ceding companies buying reinsurance protection on proportional bouquet basis. For the same period, Milli Re's liability in the catastrophe excess of loss programmes is around 8%.

Being one of the oldest reinsurers active in Europe, Milli Re aims to sustainably foster its portfolio. As part of its strategy to expand to international markets in order to achieve a diversified portfolio, Milli Re provides reinsurance capacity to insurance companies active in over 50 countries, with the contribution of our Singapore Branch operating since 2008.

50

Milli Re provides reinsurance capacity to insurance companies active in over 50 countries, with the contribution of its Singapore Branch operating since 2008.

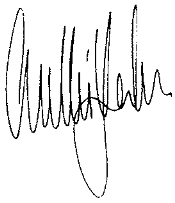
Milli Re successfully achieved its strategy of profitable growth in 2018, a year marked with frequently changing global agenda and dominated by a tense political and economic atmosphere. Increasing by around 22% compared to last year, Milli Re's premium production reached TL 1,320 million in 2018, 69% of which was generated from local business while 31% thereof was obtained from international business and after tax profit for the year was recorded as TL 278 million. Approximately 80% of our premium was generated from Milli Re's target business lines which are Fire, Engineering and Marine. As at the end of 2018, total assets amounted to TL 3,738 million while shareholders' equity reached TL 1,736 million.

Keeping up with the rapidly changing industry dynamics and giving high importance to technological investments, our Company finalised the setup phase of "SICS Project", which aims to renovate the reinsurance applications used in our Head Office and the Singapore branch. While the kick-off is scheduled for the second half of 2019, currently the project is at the end-to-end user acceptance.

Moreover Milli Re, in order to increase productivity and achieve cost reduction, set its road map for digital transformation aimed at digitalization of its business processes and performance measurement, efficient usage of big data and business analytics and development of reporting tools.

Milli Re, marking its 90th year in operation in 2018, became one of the most significant players in its region. Our Company sustains its robust growth performance owing to its competence to assess and meet market demand, as well as its risk management skills, supported by its strong capital structure. Milli Re's main goal is to maintain and develop its leading position and market share in the local market in the upcoming periods and be a preferred business partner in the international markets. Our experienced human capital, rooted company culture, as well as the synergy established with our trusting business partners will remain as the main pillars in fulfilling our goals.

I would like to extend my sincere thanks to our shareholders and our business partners for their valuable contributions in our achievements and to all of our employees for their efforts.



Hasan Hulki YALÇIN
Director and General Manager

Milli Re has engaged in introductory activities for insurance business at İzmir International Fair.

leadership

Milli Re's main goal is to maintain and develop its leadership in the local market and to be a preferred business partner abroad.

TL 3,738 million

2018 was a year for Milli Re where it successfully achieved its target of profitable growth and reached TL 3,738 million of total assets.

BOARD OF DIRECTORS


1
9
4
6
10

BOARD OF DIRECTORS

1- Mahmut MAGEMİZOĞLU

Chairman

Mahmut Magemizoğlu is a graduate of Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration. He holds a master's degree in Investment Analysis from The University of Stirling in UK. Mahmut Magemizoğlu began his professional career at İşbank on the Board of Inspectors in 1982 and between 1992 and 1999 he served as a manager in various positions and as Manager of Subsidiaries Division between 1999 and 2005. Mahmut Magemizoğlu served as the Deputy General Manager of İşbank between 2005 and 2016, and as the Senior Deputy Chief Executive between 2016 and 2018 and retired at the end of September 2018. He is currently the Senior Advisor to the General Manager of İşbank. Having served as board member in nearly 20 companies to date, Mahmut Magemizoğlu has been the Chairman of the Board of Directors of Anadolu Hayat Emeklilik A.Ş. since 2009 and a member of the Board Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş. since 21 December 2016. Mahmut Magemizoğlu is the Chairman of the Board of Directors of Milli Re since 2011.

2- Özgür TEMEL

Vice Chairman

Özgür Temel holds a bachelor's degree in Business Administration from the Hacettepe University and a master's degree in International Banking and Finance from the University of Birmingham. He began his career at İşbank Beyazıt Branch as an Assistant Credit Specialist in 1994. Özgür Temel, who joined Board of Inspectors in 1995, was appointed to Capital Markets Department as an Assistant Manager in 2003. After his duties as İzmir Branch Assistant Manager in 2005 and Ege Corporate Branch Assistant Manager in 2006, he was appointed as Capital Markets Department Unit Manager in 2008 and as Division Head in 2013. He served as a member of the Board of Directors at İş Yatırım Menkul Değerler A.Ş. in April 2013 and the Chairman of İş Yatırım Ortaklığı A.Ş. in December 2013. He is currently the International Financial Institutions Division Head at İşbank. Özgür Temel has been the Vice Chairman of the Board of Directors at Milli Re since 12 May 2017.

3- Aynur DÜLGER ATAKLI

Director

Aynur Dülger Ataklı graduated from the Department of Economics- Finance at the Faculty of Political Sciences at Ankara University. She attended various programs on senior public administration techniques and the European Union in USA and at The Royal Institute of Public Administration (RIPA) London. She started her professional career in 1979 as a Research Assistant at the Faculty of Political Sciences of Ankara University. She later served as an Assistant Specialist and Specialist and member of the special commission at the State Planning Organization. She served as a Specialist, Department Head and Deputy General Manager at the Undersecretariat of Turkish Treasury. Aynur Dülger Ataklı served as a member of the Board at Sivas Demir-Çelik İşletmeleri A.Ş. and as the Chairman of the Board at BETEK A.Ş. (Berlin), a member of the Board and High Advisory Board at the Ankara Art Institution and Alumni Association of Faculty of Political Sciences of Ankara University and also as the Head of the Mülkiye Sports Club. She served as a member of the Board at İşbank between 2011 and 2014, and at İş Portföy Yönetimi A.Ş. between 17 April and 12 May 2014. Aynur Dülger Ataklı has been a member of the Board of Directors at Milli Re since 16 May 2014.

4- Prof. Dr. Savaş TAŞKENT

Director

Savaş Taşkent graduated from the Faculty of Law, İstanbul University. He started his academic career in 1971 as an assistant in the Department of Law of the Faculty of Basic Sciences at İstanbul Technical University. He received his doctor's degree from the Faculty of Law at Istanbul University. Savaş Taşkent, who was Assistant Professor and Associate Professor, subsequently received his Professor tittle in 1990 at İstanbul Technical University. He also served as Deputy Dean and Vice Rector in same University. In 1982 and in 1987, he undertook research studies at the Universities of Erlangen and Heidelberg. Writing many articles and books on the subject of labour law, he made translations from German law into Turkish. He had also been the Head of the Department of Law at the Faculty of Business Administration of İstanbul Technical University. He is retired on 12 January 2010 and served as a visiting professor at the same university, lecturing "Labour Law" and "Enterprise Law", also holds Counsellor position to Rector, regarding law affairs as of November 2013. Savaş Taşkent had also been the Dean at the Faculty of Economic and Administrative Sciences at Istanbul Gedik University between April and September 2016. He works freely in "Taşkent Advocacy & Consultancy" office. He served as a Counsellor to the Minister at the Ministry of Labour and Social Security between the years 1991-2000 and he attended the ILO Conference held in Geneva as the Counsellor to the Government during the years 1991-2003.He was elected to İşbank's Board of Directors in 2005, 2008 and 2011 respectively. He has also appointed as a member of the Audit Committee in March 2008, the TRNC Internal Systems Committee in June 2009 and the Corporate Governance Committee in February, 2013 at İşbank. Savaş Taskent left his position at İşbank as of March 2014.

He served as a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi between 2014 and 2018. Savaş Taşkent has been a member of the Board of Directors at Milli Re since 27 March 2018.

5- Kubilay AYKOL

Director

Kubilay Aykol is a graduate of Faculty of Economic and Administrative Sciences, Department of Business Administration at the Middle East Technical University,. He began his career in 1997 as Assistant Inspector at İşbank. Kubilay Aykol was appointed Merter branch as a Manager in 2006. He served as an Assistant Manager Retail Banking Marketing Department in 2007 and as Unit Manager in 2009 in the same department. He is currently the Retail Banking Product Department Division Head at İşbank. He served on Board of Directors of Anadolu Anonim Türk Sigorta Şirketi between 2010 and 2018. Kubilay Aykol has been a member of the Board of Directors at Milli Re since 27 March 2018.

6- Levent KORBA

Director

Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University, and joined İşbank in 1986. After serving in a number of the Bank's units and branches, he was appointed as Deputy General Manager in April 2011 where he served until 2017. Functioned as the Chairman of İşmer İş Merkezleri Yönetim İşletim A.Ş. and İş Gayrimenkul Yatırım Ortaklığı A.Ş., Levent Korba has been a member of the Board of Directors at Milli Re since 28 April 2017

7- Erdal İNCELER

Director

Erdal İnceler holds a degree in Economics from the Faculty of Economics and Administrative Sciences at the Middle East Technical University and a master's degree in International Banking and Finance from the University of Heriot-Watt in Edinburgh. Erdal İnceler began his career at İşbank as an Assistant Specialist in the Training Department in 1990. He was appointed as an Assistant Manager in 1999 and as a Group Manager in 2005 in the same Department. He served as a member of the Board of Auditors at İş Gayrimenkul Yatırım Ortaklığı A.Ş. and ASMAŞ, and as a member of the Board of Directors at Anadolu Hayat Emeklilik A.Ş. He is currently the Human Resource Management Unit Manager at İşbank. Erdal İnceler has been a member of the Board of Directors at Milli Re since 28 March 2013.

8- Kemal Emre SAYAR

Director

Kemal Emre Sayar is a graduate of the Faculty of Industrial Engineering at the Middle East Technical University. He holds a master's degree in Information Technologies in Management from Sabancı University and in Economics and Finance from the Boğaziçi University. Kemal Emre Sayar began his career in 1999 as an Assistant Inspector on the Board of Inspectors at İşbank, while from 2008 he served at the Change Management Directorate and the Strategy and Corporate Performance Management Division. He is currently the Subsidiaries Division Unit Manager at İşbank and also a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Kemal Emre Sayar has been a member of the Board of Directors at Milli Re since 30 November 2015.

9- Hasan Hulki YALÇIN

Director and General Manager

Hasan Hulki Yalçın attended TED Ankara College for his primary, secondary and high school education and graduated from the Middle East Technical University, Department of Economics. He then got his master's degree in International Banking and Finance from The University of Birmingham in the U.K. Mr. Yalçın joined İşbank as a member of the Board of Inspectors, where he worked for 14 years in different positions. He joined Milli Re in 2003 and attended various professional training programs abroad. Appointed as a member of the Board of Directors and General Manager on 16 January 2009, Hasan Hulki Yalçın is also a Vice Chairman of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi and a member of the Non-Life Management Committee of the Insurance Association of Turkey.

10- Fahriye ÖZGEN

Reporter of the Board of Directors

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN RELEVANT MEETINGS DURING THE FISCAL PERIOD

The Company's Board of Directors convenes as and when necessitated by the Company's business affairs and upon the Chairman's or Vice Chairman's invitation, with the participation of the majority of the total number of directors on the Board. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics that are not covered on the agenda but raised by the members are also discussed. Meeting agenda letters and files relating to the agenda items are sent to all Board members 7 days in advance of the meeting date.

The Board of Directors met 7 times during 2018, with all members attending 4 of these meetings, whereas two members was excused from each one of two meetings and three members was excused from each one of one meeting.

SENIOR MANAGEMENT

3 4 5 1 2

1- Hasan Hulki YALÇIN
Director and General Manager

Please see Board of Directors page for Mr. Yalçın's CV.

2- Fatma Özlem CİVAN
Assistant General Manager

Having completed her secondary and high school education at Robert College, Özlem Civan graduated with a B.A. degree in Business Administration in English from the Faculty of Business Administration at İstanbul University. Between 1990 and 1993, she worked in the Treasury and Fund Management Departments of several banks, embarking on her career in the insurance market in 1994 at the Reinsurance Department of Güneş Sigorta. Leaving her position as Group Manager in charge of Reinsurance, Casualty and Credit Insurance in September 2006, Özlem Civan joined Milli Re the same year. She has participated in a number of training programs and seminars on insurance and reinsurance, organised by leading international reinsurers and brokers. Özlem Civan has been appointed as Assistant General Manager on 1 September 2011.

3- Vehbi Kaan ACUN
Assistant General Manager

Vehbi Kaan Acun graduated from İstanbul University, Department of Economics in English. He started his career as an assistant inspector on İşbank's Board of Inspectors. After serving at İşbank for 8 years, he joined Milli Re in 2006. During his career at Milli Re, he also has been appointed as a Coordinator in the Company's Singapore Branch. He participated in various seminars and conferences abroad and serves as the Vice President of the Turkish Insurance Institute Foundation Board. Vehbi Kaan Acun has been appointed as Assistant General Manager on 1 February 2016.

4- Şule SOYLU
Assistant General Manager

Şule Soylu graduated with a B.A. degree in Business Administration from the Faculty of Economic and Administrative Sciences at Anadolu University and received her master's degree in Financial Institutions from İstanbul University Institute of Business Economy. She began her professional career in Milli Re in 1990 and finished cum laude the Accounting Branch of the Turkish Insurance Institute. Currently serving as a Board Member of Turkish Insurance Institute Foundation and a member of the Financial and Accounting Committee of the Insurance Association of Turkey, Şule Soylu has been appointed as Assistant General Manager on 1 February 2017.

5- Fikret Utku ÖZDEMİR
Assistant General Manager

Fikret Utku Özdemir holds an Associate Degree in Nuclear Engineering from Hacettepe University and graduated with a Bachelor's Degree in Management from the Faculty of Economics and Administrative Sciences at Middle East Technical University. He holds a Master's Degree from EDHEC Business School (France). He joined İşbank as a member of the Board of Inspectors in 1996 and served in a number of the Bank's departments and positions. Fikret Utku Özdemir has been appointed as Assistant General Manager on 15 May 2017.

INTERNAL SYSTEMS MANAGERS

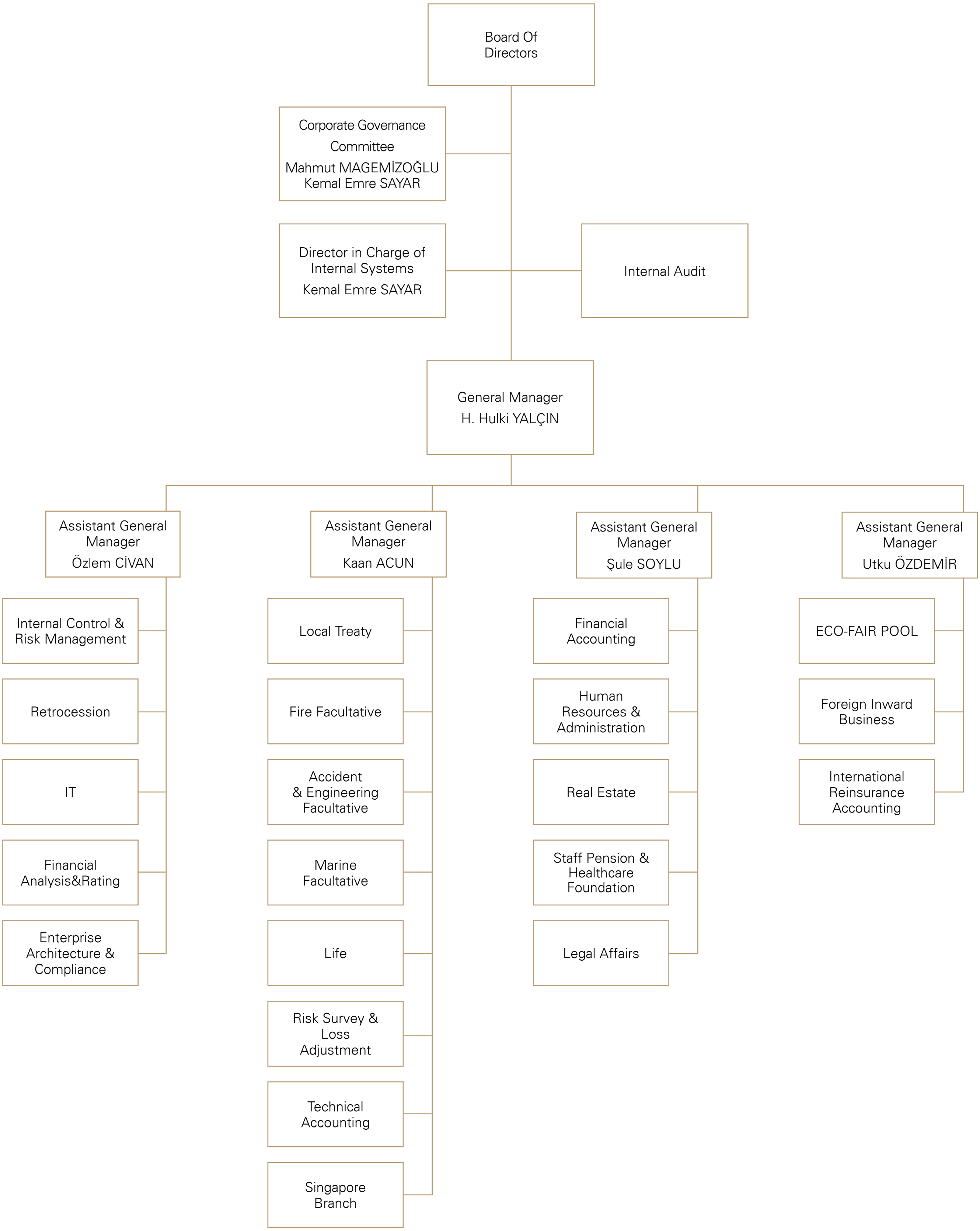
Internal Audit Assistant Manager: Ekin ZARAKOL SAFİ

Term of Office: 5 years
Professional Experience: 16 years
Departments Previously Served: Turkish Reinsurance Pool, Internal Audit and Risk Management
Academic Background: Bachelor's Degree

Internal Control and Risk Management Assistant Manager: Duygu GÖLGE

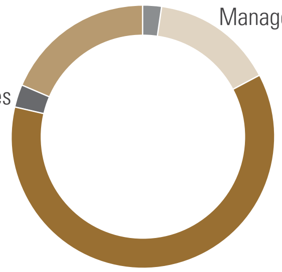
Term of Office: 5 years
Professional Experience: 23 years
Departments Previously Served: Decree Pool
Academic Background: Master's Degree

ORGANIZATION CHART

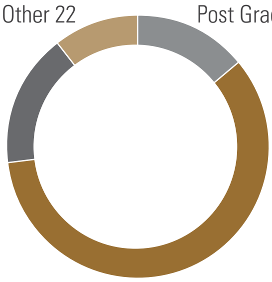


HUMAN RESOURCES APPLICATIONS

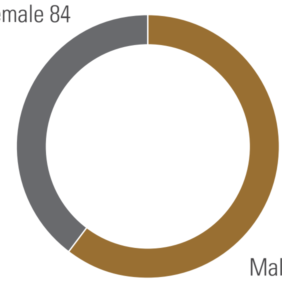
Employee Profile



Educational Profile



Human Resources Profile



In recognition of the fact that its staff is one of the main contributors in its achievements, Milli Re has highly qualified employees, devoted to their work and the Company, open to continuous learning and development. Fundamental principles of the Human Resources policies of the Company are recruiting suitable candidates with qualifications suitable for vacant positions, providing a business environment that enables the staff to work efficiently, productively and happily; protecting and observing financial and moral rights of employees, as well as fair and equal opportunities of development and training in view of personal skills, facilitating the staff to foster social relationships for motivation and efficient execution of all processes.

At year-end 2018, Milli Re has 212 employees including Singapore Branch.

Application

Job applications, which are made via personel@millire.com from our corporate website and by other communication means, are stored in the candidate pool of our Company.

Applications are examined when required, and candidates who are considered suitable for the positions are contacted.

Recruitment

Milli Re recruits candidates in view of qualifications required for the relevant position and applicant's ability to adapt to the corporate culture.

Performance Management

Performance appraisals of our employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines and career planning and training needs are determined based on the results of the appraisals.

Training

Training requirements identified according to the Performance Appraisal results are used to design a training program, and employees are given the opportunity to receive technical and personal development trainings in Turkey or abroad as required by their positions.

Career

Since its establishment, Milli Re has the policy of investing in its work force and recruiting internally for managerial positions. Promotions are made in line with the Personnel Regulation and the principles set forth in the Collective Bargaining Agreement, signed with the Workers' Trade Union, in view of Performance Appraisals.

Compensation Policy

Salaries of our employees are determined in accordance with the terms of the Collective Bargaining Agreement within the context of related regulations.

Occupational Health and Safety

Occupational Health and Safety Obligations under Law No. 6331 on Occupational Health and Safety are fulfilled by the Personnel and Administrative Affairs Department.

2018 ANNUAL REPORT COMPLIANCE STATEMENT

We hereby represent that Millî Reasürans T.A.Ş. 2018 Annual Report issued for its 90^{th} year of operation has been drawn up in line with the principles and procedures enforced by the "Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26606 dated 7 August 2007 by the Republic of Turkey Ministry of Treasury and Finance.

28 February 2019

Şule SOYLU Assistant General Manager	Fatma Özlem CİVAN Assistant General Manager	Hasan Hulki YALÇIN General Manager	Mahmut MAGEMİZOĞLU Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

(Convenience translation of a report originally issued in Turkish)

To the General Assembly of Milli Reasürans Türk Anonim Şirketi

1) Opinion

We have audited the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company) for the period of January 1 - December 31, 2018.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 28, 2019 on the full set consolidated and unconsolidated financial statements of the Company for the period of January 1 - December 31, 2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), and the preparation and fair presentation of these financial statements in 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" and designing and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

February 28, 2019
İstanbul, Türkiye

Office view from Milli Re's Türkiye Han building

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR EXECUTIVES

RESEARCH & DEVELOPMENT ACTIVITIES

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR EXECUTIVES

The Company's Board of Directors is composed of Chairman, Vice Chairman and seven Board members. Senior Management comprises of the General Manager and four Assistant General Managers. The benefits provided to the Senior Executives in 2017 and 2018 are given in the below table:

(TL)	2018	2017
Benefits such as salary, premium, bonus, dividend etc.	6,146,805	5,505,884
Travel, accommodation, entertainment expenses, means in cash and in kind	552,139	404,806

RESEARCH & DEVELOPMENT ACTIVITIES

Milli Re continued the underwriting platform project during 2018, which aims to renew the applications used for the reinsurance operations. Further to the planned completion of the project in 2019, different applications used in the Head Office and Singapore Branch will be fully standardised and integrated.

In 2018, in order to improve efficiency, productivity and sustainability of the business processes of our company, proof of concept studies have been carried out in order to form a road map for the digitalization project.

ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

INFORMATION ON INVESTMENTS MADE BY THE COMPANY DURING THE ACCOUNTING PERIOD

Milli Re initiated governance project in 2018 with consultancy and implementation acquisitions within the scope of compliance with the Law on the Protection of Personal Data. In addition to data governance, reinsurance applications implementation has continued and details of these projects are included under the title of Company's Research and Development Studies.

REPURCHASED OWN SHARES BY THE COMPANY

None.

DISCLOSURES CONCERNING SPECIAL AUDIT AND PUBLIC AUDIT DURING THE REPORTING PERIOD

The Company is audited by independent auditing company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst&Young). A limited independent audit is carried out on half yearly basis while full independent auditing is done on yearly basis. İşbank consolidation audit is conducted for the first and third quarters. Being a bank subsidiary, information systems auditing made in subsidiaries subject to consolidation, is carried out annually.

The Company is audited in accordance with the insurance legislation by Turkish Republic Ministry of Treasury and Finance, Insurance Supervision Board.

LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

There are no lawsuits brought against the Company in 2018, which are of a nature that might affect the Company's financial standing and its activities.

DISCLOSURES ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE COMPANY AND THE MEMBERS OF THE GOVERNING BODY

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation in 2018.

ASSESSMENTS ON PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY RESOLUTIONS

The announcement on the meeting including the venue, date, time, agenda, and a specimen of a proxy statement is published within the legal terms in the Turkish Trade Registry Gazette and on Company's official website for notifying the public. Every year the Annual Report is prepared in alignment with the relevant legislation and presented for the information and analysis of shareholders preceding the General Assembly meeting.

Annual General Assembly meeting was held on 27 March 2018. All of the resolutions by the General Assembly of Shareholders have been fulfilled during 2018 and the targets set in the prior period have been achieved.

EXPENSES INCURRED IN THE REPORTING PERIOD IN RELATION TO DONATIONS, GRANTS AND SOCIAL RESPONSIBILITY PROJECTS

None.

RELATIONS WITH THE CONTROLLING COMPANY OR AN AFFILIATE THEREOF

Between our Company and our controlling shareholder İşbank and other Group Companies affiliated to İşbank, there is no:

- Transfer of receivables, payables or assets,
- Legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- Legal transaction that might result in transfer of profit.

All commercial transactions the Company realised with its controlling shareholder and with the Group Companies affiliated thereto during 2018 were carried out on an arm's length basis, according to the terms and conditions known to us, related counter performances have been carried out, and the Company did not register any loss on account of any such transaction.

Milli Re employees in 1932

INTERNAL AUDIT

Internal audit is an independent, objective assurance and consulting activity, which seeks to improve an organization's operations and add value to them. Internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In this context, the primary functions of internal audit include constant auditing of all business and transactions of the Company in terms of their compliance with the related regulations, as well as the Company's internal guidelines, its management strategy and policies; detection and prevention of any irregularities, mistakes or fraud, and assurance of the efficiency and adequacy of internal control and risk management systems.

In conjunction with the above, another important aspect of the Department's functions is to provide opinions and suggestions for efficient and productive use of resources to improve and add value to the Company's operations.

The Internal Audit Department of Milli Re was established as of 1 January 2005 and started operating on 1 April 2005. Internal audit operations are carried out in compliance with the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published in the Official Gazette No. 26913 dated 21 June 2008.

The authority and responsibility of the Internal Audit Department is defined in Milli Re's Internal Audit Charter which is approved by the Board of Directors. The internal audit charter is reviewed annually and revised if necessary. In order to allow an independent and objective assessment, the Internal Audit Department reports directly to the Board of Directors. The conclusions reached as a result of the audit activities, are submitted to the Board through the Board Member responsible for Internal Systems.

All employees of the Internal Audit Department comply with the code of ethics (integrity, objectivity, confidentiality, competence) stated in both the International Internal Audit Standards and Milli Re Internal Audit Charter. They demonstrate the necessary professional care when performing the audit activities.

Internal Audit Department carries out its activities with a risk-focused audit approach. This approach aims to increase the efficiency and effectiveness of internal audit by giving priority to the more risk bearing process and units. Every year in December, an Internal Audit Plan regarding the audit activities to be done the following year is prepared taking into account the date of the last inspection and risk assessments of the unit, and presented to the Board of Directors for approval.

In accordance with the Internal Audit Plan approved by the Board at the end of 2017, Internal Audit Department completed on-site inspection of all (19) units, and the Company's Singapore Branch in 2018. During audit activities, it was determined whether the units' operations are carried out in compliance with their operational guidelines. Effectiveness of the implemented internal controls regarding the units' risks was tested and their adequacy was evaluated. Moreover, compliance with regulations, Company policies, limits, jurisdictions, and security measures was verified. Audit activities were performed using techniques such as enquiry, verification, examination, reperformance, recalculation and analytical reviews. During audits, no findings that might have an adverse impact on the Company's financial structure were detected.

INTERNAL CONTROL

Internal control system has an important role in ensuring continuation of the Company's operations within efficiency, productivity, compatibility and reliability principles.

The purpose of the internal control system is to ensure that the Company assets are well protected; activities are carried out efficiently and effectively and in compliance with regulations, Company policies, rules, and precedents of insurance business, to enable reliability and integrity of accounting and financial reporting system, and prompt accessibility of data. In this regard, internal control activities are designed to encapsulate transactions in respect of Company's operational activities, communication channels, information systems, financial reporting system and conformity controls. Internal control activities are carried out in accordance with the provisions of "Regulation in respect of Internal Systems of Insurance, Reinsurance and Pension Companies" published in the official gazette dated June 21st, 2008 and numbered 26913 and in compliance with Company's related internal regulations.

"Control Centre" has been structured through "Internal Control and Risk Management Department" which was established in order to perform internal control activities, and "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 24 people, of whom 3 are located in the control centre and 21 are located in the control environment.

Activities Conducted from Control Centre

Workflows, duties and responsibilities, authorities and limits related to Company activities are documented and communicated to all employees; they are reviewed and updated in line with the changing conditions and risks. The personnel have complete, accurate and up to date information associated with their duties and responsibilities.

Control activities cover the entire business processes and operations of the Company. Business processes and the processes related to information technologies, risks related to these processes are identified in a written form, and controls for the identified risks are established. Control activities are carried out according to the frequency of business processes and in accordance with the principles set out in the annual Internal Control Plan. Findings ascertained as a result of controls, assessments in respect of these findings and recommendations regarding the actions to be taken for the elimination of findings are monthly reported to General Manager by Internal Control and Risk Management Department via Internal Control Reports. The outcomes of internal control activities are also monitored regularly by the Board of Directors.

Authority identifications of system users are conducted in accordance with "segregation of duties" principle. Besides, actions that are performed by users within these authorizations, log records of actions in respect of critical transactions are controlled through reports received from log management system instantly and on a daily basis, and conformity to segregation of duties principle is reviewed systematically. Moreover, following the approval of the relevant business unit, transactional authorities that users requested in line with the activities, are assessed and approved by Internal Control and Risk Management Department in terms of the mentioned principle.

Development and change requests of users on systems based on their business requirements or solution requests in respect of malfunctions arising in systems are monitored through Help Desk Service and critical issues that may affect the financial statements or that could lead to legal risks are given the priority.

In case of detection of any adverse situation within control activities, urgent action is taken in order to perform necessary adjustments and take preventive measures.

Activities Conducted from Control Environment

Control points stated in the relevant department's flowchart and those risks and control points determined by Control Centre are taken into consideration during the control activities conducted in departments, while those performed in IT Centre are based on COBIT (Control Objectives for Information Related Technologies) standards.

In this context, transactions in respect of reinsurance processes, accounting transactions, payments, processes in respect of fulfilment of legal obligations, transactions in respect of debt collection, accounting periods, and preparation of financial statements; marketing, processes related to reporting and information systems are controlled by considering practice frequencies of related processes. Detected issues are reported to Control Centre via Risk Warning Reports. Therefore, it is ensured that preventive and supplementary measures are instantly taken, appropriate and applicable solutions that will improve processes and operations are put into practice.

AFFILIATES

Anadolu Anonim Türk Sigorta Şirketi

Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is Turkey's first national insurance company, which was established on 1 April 1925. As one of the market leaders in premium production, the Company succeeded in being the first Turkish insurance company to exceed the

USD 1 billion threshold in total premium production in 2007. Anadolu Sigorta which is the pioneer in the sector with its customer satisfaction, continuous improvement and development focused approach was entitled to obtain ISO 9001 Quality Management System Certificate in December 2004, which was renewed in April 2018 with the new version ISO 9001:2015 Quality Management System Certificate. Anadolu Sigorta operates in all Non-Life insurance branches. Fitch Ratings confirmed Anadolu Sigorta's ratings for International Insurer Financial Strength as BBB-, for National Insurer Financial Strength as AA+ (tur), both with stable outlook.

Anadolu Sigorta's shares are publicly-traded on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 48% of the Company's shares are public, whilst 57.31% are held by Millî Reasürans T.A.Ş.

Pursuant to the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008 and to the Turkish Accounting Standards 27, Milli Re consolidates the financial results of Anadolu Sigorta on a line-by-line basis since 30 September 2010.

Our subsidiary which was incorporated into the Company Solo Financial Statements with its fair value, is accounted based on equity method as at 31.12.2018.

www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities for various sports, particularly tennis and basketball.

Milli Re has 77% share in Miltaş Turizm İnşaat Ticaret A.Ş. Within the context of the exception stipulated in the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008, Miltaş Turizm İnşaat Ticaret A.Ş., which is a subsidiary of the Company, is excluded from the scope of consolidation, due to the fact that the subsidiary's total assets correspond to less than 1% of the Company's total assets.

Our subsidiary which was incorporated into the Company Solo Financial Statements with its cost value, is accounted based on equity method as at 31.12.2018.

www.miltasturizm.com.tr

Fire Insurance tariff published during the first years of Turkish Republic

CORPORATE SOCIAL RESPONSIBILITY

Milli Re Art Gallery

Milli Re reserved a section of its business building in Teşvikiye for artistic and cultural activities, and designed a library, an auditorium and a gallery in this section.

During the twenty three years since its debut, Milli Re Art Gallery organised various exhibitions, which were widely acclaimed in art circles and followed with interest. The gallery published numerous books and publications, with texts by eminent authors and art critics, most of which are referenced in the art literature.

Some of the exhibitions held at the Milli Re Art Gallery have also been displayed in other countries, including, among others, Germany, France, Sweden, Denmark, Estonia, Slovenia, Bosnia-Herzegovina, Georgia and Finland. Besides the "Rural Architecture in the Eastern Black Sea Region" exhibition displayed at many universities and international museums both in Turkey and abroad since 2005, "Mylasa Labraunda/Milas Çomakdağ" exhibition received invitations from major museums and universities abroad and exhibited in several countries and cities. The gallery, hosting projects varying from art to design, has attained a special place within its field. Not only in the area of basic arts such as painting and sculpture, the Gallery also hosts plenty of projects including exhibitions on photography, architecture, graphical design, as well as historical and documentary conceptual exhibitions. Milli Re Art Gallery has gained the distinction being a space for artists and art lovers, with the original works created over the years, and are known for its uncompromising artistic identity. Hosting many exhibitions in the contemporary arts field, Milli Re Art Gallery outstands as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey and supported the conscious collectors within the sector as well as the limited number of museums by bringing in many art works to be acquired to their permanent collections.

All details on exhibitions and publications are available on www.millireasuranssanatgalerisi.com.

Milli Re Chamber Orchestra

Milli Re Chamber Orchestra, established in 1996, has performed numerous successful concerts with local and international well-known conductors and many soloists. Milli Re Chamber Orchestra having performed its first concert on 10 April 1996 presents universal polyphonic music, which enriches our cultural life, to music-lovers through concerts and recitals. The Orchestra performs at the concert hall in the Milli Re building from September through May every year. In addition to the regular concerts series, the Orchestra takes part in various national and international music festivals.

The Milli Re Chamber Orchestra also released two CDs, titled "Romantic Era Strings Music" and "Şensoy Plays Tura".

Milli Re Library

The Milli Re Library is the most extensive specialised library in the insurance sector in terms of its collection of books, periodicals and other materials concerning the insurance industry. By donation of books and periodicals, the Library also supports the libraries of universities.

The Library is open from 09:00 until 12:00 and from 13:00 until 17:00 on weekdays, and the catalogues of available publications can be accessed at http://kutuphane.millire.com

Miltaş Sports Complex

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities in various sports, particularly tennis and basketball. In addition to tennis and basketball courses organised every year for various age groups; private tennis lessons are available in the Complex.

The Complex has been hosting the International Insurance Tennis Tournament, which is organised every year in June since 1986, and provides a unique environment that brings together professionals of the local market with international reinsurers and brokers.

CORPORATE SOCIAL RESPONSIBILITY

Reasürör Magazine

Quarterly published since 1991, the Reasürör Magazine is a scientific resource with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines. The Reasürör Magazine serves as a valuable scientific resource for use by the industry technicians and students pursuing their studies at various levels in insurance education.

All issues of the Reasürör Magazine can be accessed at the addresses www.millire.com

The Turkish Insurance Institute Foundation (TSEV)

The Turkish Insurance Institute Foundation (TSEV) was established jointly by Milli Re and the Insurance Association of Turkey in 1970 and continues its training and consulting services for the insurance industry for the last 48 year. TSEV organises training programs on insurance techniques and law as well as administrative issues for the insurance sector and for insured companies, institutions and organizations. In addition to its training activities, the Foundation also visits universities, the chambers of industry and commerce in order to increase the insurance awareness and develop the insurance sector in Turkey. For the purpose of making insurance part of lives of society, TSEV also undertakes some projects on social media.

The "Basic Insurance Training Program", organised since the establishment of the Foundation has the distinction of being one of the most comprehensive training programs in the field of insurance. A total of 2,900 participants have graduated from the program to date. As a follow-up course to this, TSEV also offers "Advanced Insurance Training Programs" which are the only project and practice-oriented training programs in the market. Besides TSEV regularly provides short-term training programs in accordance with the current market needs, introductory courses for new employees joining the insurance industry and to insurance departments of corporates as well as actuarial training programs. In 2018, a total of 3,337 hours of training was offered at TSEV.

Based on specific requests of companies, TSEV gives other services such as consultancy, promotional and corporate exams and placement tests for new graduates as well as for the staff, already employed within the industry to test their insurance knowledge.

FINANCIAL STATUS

ECONOMIC OUTLOOK

In 2018, ongoing loss of momentum in Euro Zone's growth performance became evident.

Advanced and emerging countries give signals of declining economic growth rates.

Global economic growth started to slow down beginning with the second quarter of 2018, and this trend remained effective until the end of the year. According to Global Economic Outlook Report published in January 2019, IMF forecasted global growth rate for 2018 as 3.7%.

Looking at the developed markets, despite the positive developments recorded in USA and UK, economic growth in Euro Zone and Japan started to slow down, while ongoing loss of momentum in Euro Zone's economic performance reached substantial levels. In developing countries, declines in Asia and Eastern Europe growth rates were recorded while a limited upward movement was observed in Latin America.

In 2018, US economy achieved a strong growth performance with the support of fiscal policies. In line with the expectations, Central Bank of the US (Fed) closed the year with four interest rate increases and 225 basis points of increase was recorded since Fed initiated the ongoing cycle of interest rate hikes in 2015.

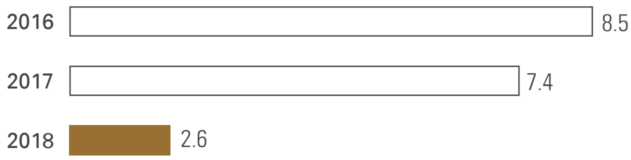
The impacts of Fed's and central banks of other advanced economies' continuing measures in normalization of monetary policies were very prominent on long-term interest rates. Although US 10 year bond rate, being 2.45% at the beginning of 2018, climbed up to 3.23% in mid-November with the effect of tighter financial conditions; it fell back to below 3% by the end of the year as concerns regarding the global economic growth started to prevail once again.

The main factors behind the slowdown in economic performance were US policies, loss of speed in energy price increases as well as the geopolitical risks mainly attributed to Middle East. The upsurge observed in general commodity price index reversed in the second half of 2018 and the index declined by 6% in the last quarter of the year compared to the previous quarter. Industrial metal prices kept falling as a result of the assumptions that US trade restrictions would put a downward pressure on demand level. While core inflation level showed very limited upward trend in advanced countries, it fell down in developing countries.

Italy's budget deficit and the rising concerns about the government debt stock, temporary decline in the activity level of the German automotive industry as well as the ambiguity on Brexit stood out as the main contributors of the declining global risk appetite in 2018 with respect to Euro Zone.

Compared to last year, capital flow to developing countries decreased as a result of the monetary tightening measures taken in the USA and Euro Zone. Capital outflow in these countries suppressed the local currencies against USD, setting ground for central banks tightening their monetary policies. In addition, fluctuations observed in some countries with higher macroeconomic fragility, like Argentina, caused economic sensitivity in other emerging economies to rise as well.

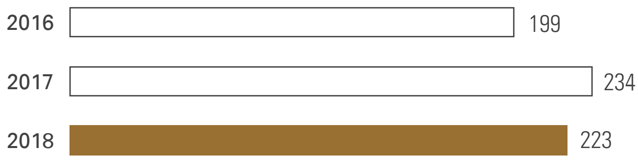
GDP Growth Rate- Based on Current Prices (%)



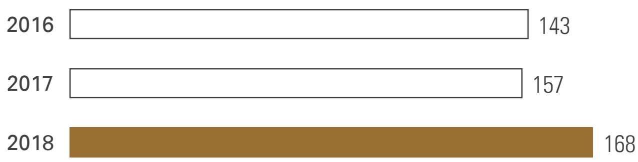
19.1%

Gross Domestic Product (GDP) based on industrial production index increased by 19.1% based on current prices, reaching TL 3,701 billion.

Imports (USD billion)



Exports (USD billion)



Fluctuations in global financial markets expected to rule in 2019 as well.

Rising protectionist tendencies increased global uncertainty about economic policies and emphasised the downside risks with respect to global growth outlook while IMF made a downward revision in its global growth forecast for 2019 by 0.2 points.

After Fed's 2018 December meeting, markets lowered their 2019 forecast for the total number of interest rate hikes from 3 to 2, while expectation that Fed would keep downsizing its balance sheet prevailed. Fed's announcement that it would be more flexible and patient with monetary policy decisions strengthened the expectations that it could pause interest rate hikes in 2019.

Leading indicators in Euro Zone point out to the fact that downward risks could carry forward to 2019 while modest slowdown in the region could last longer than expected. Developments such as slowdown in the economic growth, decreasing oil prices as well as the inflation deviating far from the expectations signal that ECB would keep supporting the economy. In a nutshell, the expectations that ECB would keep the interest rates on hold until 2020 became more prominent considering the fact that it did not raise the rates since 2011.

The general economic slowdown during the year spread over to majority of the sectors.

Based on the chain linked volume index, GDP increased by 2.6% at the end of the year compared to the previous year. Gross Domestic Product (GDP) based on industrial production index increased by 19.1% based on current prices, reaching TL 3,701 billion.

The general economic slowdown has spread over to the majority of the sectors; both on a yearly and quarterly basis, the contribution of all the main sectors to the economy declined considerably while agriculture sector remained as an exception to this trend. The services industries remained to be the main contributor to the annual economic growth, mainly driven by the strong recovery in tourism sector.

ECONOMIC OUTLOOK

The recovery trend in current account balance which started during the third quarter of the year continued with higher momentum in the last quarter, as a result of strong export performance as well as the improved tourism revenues.

When GDP contributors are examined, total added value of agriculture and industry sectors grew by 1.3% and 1.1% respectively, while added value of the construction sector declined by 1.9% in 2018, based on chain volume index. The total value added by services composing of trade, transportation, hospitality and food and beverage activities increased by 5.6%.

Inflation increased compared to the previous year.

As at December of 2018, consumer price index decreased by 0.40% compared to the previous month, however it increased by 20.30% compared to the same month of previous year and by 16.33% according to the averages of twelve months. Main expenditure groups that displayed high increases were various goods and services with 28.80% of increase, food and non-alcoholic beverages with 25.11%, housing with 23.73% and culture and entertainment with 20.86%.

In December 2018, domestic-producer price index (D-PPI) decreased by 2.22% compared to the previous month and increased by 33.64% compared to the same period of last year and by 27.01% according to the averages of twelve months.

The main determinant of the increase in the inflation rate in 2018 compared to the previous year was the adverse developments in foreign exchange rate, while price adjustments on energy costs for both consumers and producers caused an increased pressure. During the period, tax adjustments contributed to a downward movement in inflation. The strong economic performance prevailing during the second quarter of the year caused demand-pull inflation to rise while the deterioration of expectancies and disorder in pricing behaviour strengthened the resistance in inflation. During the last quarter of the year, the weakening observed in the total demand supported the decline in the inflation.

The rate of exports meeting imports rose to 83.8%.

According to the foreign trade figures of TUIK (Turkish Statistical Institute), exports amounted to USD 168 billion with a growth rate of 7%, and imports dropped by 4.6% and was recorded as USD 223 billion in 2018. The rate of exports meeting imports rose to 83.8% in December of 2018, from 60% of December 2017.

In 2018, Germany was Turkey's main export destination, followed by UK, Italy and Iraq. In terms of import, Russia was the top trading partner followed by Germany, China and the USA.

The recovery trend in current account balance continued with higher momentum

The recovery trend in current account balance which started during the third quarter of the year continued with higher momentum in the last quarter, as a result of strong export performance as well as the improved tourism revenues. Reaching up to USD 58.2 billion in May, 12-month current account deficit narrowed down to 33.9 billion USD as of November. Stripping out the impact of energy and gold trade, current account balance had a surplus of circa USD 4,514 million in November while it had a deficit of USD 898 million in the same period of last year.

The main contributor of the decline in current account deficit was the contraction in imports. The downward movement in real exchange rates and the domestic demand as well as the slowdown in loan growth rates limited not only the total import level but also the imports of the consumption and investment goods.

83.8%

Exports amounted to USD 168 billion with a growth rate of 7%, and imports dropped by 4.6% and was recorded as USD 223 billion in 2018. The rate of exports meeting imports rose to 83.8% in December of 2018.

Exchange rates and market interest rates declined at the end of the year.

Besides the volatility prevailing in the global financial conditions, the expectations that the normalization of developed country monetary policies would lose momentum and the modest weakening of USD led to limited appreciation of emerging country currencies. With the help of CBT's tighter monetary policy position and the recovery in the inflation outlook, Turkish Lira positively differentiated from other emerging market currencies at the end of 2018.

In the third quarter of 2018, a period in which both short and long term interest rates of emerging countries showed modest levels of decline, Turkey's short and medium term interest rates shrank as a result of cautious monetary policy stance and the recovery in the inflation rate.

CBT decided to continue its tight monetary policy in 2019.

The recent data highlight that real economic adaptation is in progress and economic equilibrium process became evident. It is expected that the weakening in demand will reinforce the decline in inflation rate during 2019, however, many factors like volatility in the exchange rate and the deferred cost pressures still keep the upside risks on the inflation outlook alive.

In case of an excessive volatility in the markets caused by fluctuations in global liquidity conditions and risk perception, CBT will take measures in order to provide the necessary foreign currency market liquidity in a timely, controlled and effective manner.

As many risks keep threatening price stabilization despite the partial economic recovery observed in the recent months, CBT decided to continue its tight monetary policy until a significant recovery in the inflation rate is achieved. In the short term, main determinant of monetary policy decisions will be a permanent downward trend in inflation outlook.

Fiscal policy according to CBT's medium term projections, in line with the New Economic Program emphasises a position focusing on macroeconomic balancing while fighting against inflation in coordination with its monetary policy.

With the guidance of New Economic Program announced in September 2018 and in line with the soft landing scenario, all market players are confident that economic growth will be achieved in 2019. It is expected that economic balancing will carry on during the first half of the year while recovery will be more prominent in the second half of the year with the contribution of the base effect and the tourism industry.

Source: IMF World Economic Outlook (International Monetary Fund Global Economic Outlook Report - January 2018, Turkish Statistical Institute, CBT, Ministry of Treasury and Finance

A view from Milli Re's Türkiye Han building

growth

Milli Re's premium production grew by around 22% compared to last year.

18

Providing capacity to 24 proportional bouquets, Milli Re leads 18 reinsurance contracts.

TURKISH INSURANCE MARKET

In Non-Life premium income, there was no growth in real terms due to factors including slowdown in economy and investments and the ongoing price cap application in Land Vehicles Liability Insurance.

According to 2018 year-end figures released by the Insurance Association of Turkey, insurance industry in Turkey has produced TL 54.7 billion premium with an increase of 17% over the previous year. This amount reflects the double counting effect emanating from the High Risk Insurance Pool for Land Vehicles Compulsory Liability Insurance on market data. 87% of the total premium was generated by Non-Life and 13% from Life insurance. The adverse impact of the slowdown in economy and increase in interest rates on consumer and housing loans was especially evident in Life insurance, respective share of this line decreasing from 15% in 2017 to 13% in 2018 in the total premium production.

Despite the nominal increase of 20% in Non-Life premium income, there was no growth in real terms due to factors including decline in car sales, stagnation in housing projects, slowdown in economy and investments and the ongoing price cap application in Land Vehicles Liability Insurance.

50% of Non-Life premium emanated from Land Vehicles Liability and Land Vehicle (Motor Own Damage) Insurance. Factors such as the price cap application and the decline in vehicle sales over 2018 have had a negative effect on the premiums and the volume of these lines in the total industry premium remained lower than the previous years. Moreover, the limited premium increase in these lines has had a constricting impact on the growth of the industry's total premium.

While the share of Fire and Natural Disasters Insurance in Non-Life premium was 14.6%, more or less at the same level with 2017, premium income from this line increased by 21% in nominal term translating to a real growth of 1% only. Due to the economic downturn and the decline in housing loans in 2018, increase in premium from residential policies remained below the inflation rate and the nominal growth was 10% therein. Premium from commercial and industrial risks increased by 21% and 31% respectively in spite of competitive pressures on pricing and relative stagnation in investments. This was largely due to the fact that significant portion of the sums insured on such risks were either in hard currency or were indexed to inflation. Premium income for Natural Disasters accounting for 34% in Fire and Natural Disasters Insurance grew by 20%, more or less at the same growth rate for Non-Life.

General Damages comprises of Engineering, Agriculture, Theft and Plate Glass Insurances and was able to grow by 21% in 2018, slightly above that of the Non-Life industry. More than 90% of the premium income in this line was generated by Engineering and State Subsidised Agricultural Insurance Scheme (TARSİM). The significant weakening in Engineering premium was largely compensated by the robust growth in Agriculture. The upsurge in construction industry in the recent years was replaced by a sharp decline in 2018 reflecting adverse developments in economy and resulting with a notable downturn in EAR/CAR business. This, combined with the real-term decrease in Machinery Breakdown premium mainly due to consistently intensifying competition in the recent years and the contraction in the Electronic Equipment Insurances which has a relatively small share in total Engineering premium, led to a modest 15% increase in total Engineering premium over the year. On the other hand, there was 27% growth in Agriculture premium in 2018 due to the spread of agriculture insurances after in losses caused by climate changes and the expansion of the scope in favour of the policyholders.

Marine consisting of Hull (Sea Vehicles and Sea Vehicles Liability) and Cargo Insurances, has hardly accounted for over 3% in Non-Life premium for years. Cargo constituted more than 70% of the premium income, increased by 27%, largely reflecting rate of exchange movements. Despite the heavy competition, the growth was 38% in Hull where the majority of policies were in foreign currency; hence premiums were elevated by the respective weakening of TL. Consequently Marine grew above sector average, with approximately 30% increase.

General Liability Insurance is among the fastest developing line in the industry with 36% increase in premium income compared to 2017. Having increased its share in Non-Life premium to 2.9% in 2018 it is considered to have a very high growth potential. Although comprised of 13 sub-branches, 90% of the total premium in General Liability emanate from General Third Party Liability, Employers' Liability and Professional Indemnity.

Owing to the positive developments in products with important growth prospect such as Health and Complementary Health Insurance, Health and Sickness premiums grew by more than 24%.

Albeit the current small market share, it is anticipated that the positive trend in financial insurances such as Surety and Credit, which grew by more than 40% over 2018, will continue with the economic conjuncture and state support. Another important development in this respect was the establishment of the State Supported Credit Insurance Pool. With working principles and related tariff published in the Official Gazette on 24 December 2018, the Pool aims to protect SMEs (Small and Medium Enterprises) against default in their trade receivables. Following the official implementation of the pool as of 1 January 2019, the function of the insurance industry in supporting the economy has gained a new dimension.

With the implementation of the "Regulation" in respect of participation insurance which is a form of cooperative insurance, with effect from 20.12.2017 operations in takaful processes and principles were made possible with respective legal infrastructure. Premiums generated in this context correspond to 4% of total market premium income at the end of 2018.

Capital structure in the Turkish insurance market underwent a number of changes in 2018 as the industry experienced four acquisitions which aimed to tap the potential synergy brought out by consolidation. In addition, Türk Reasürans Anonim Şirketi, was established under the auspices of the Ministry of Treasury and Finance with the aim to increase domestic reinsurance capacity and to provide indemnity for material and bodily damages that may be incurred for risk groups which currently cannot find or have difficulties in accessing insurance or reinsurance coverage. The entity is expected to start operations in 2019.

Market Premium (TL)

Line of Business	2018	Share (%)	2017	Share (%)	Change (%)
Accident	1,812,335,726	3.80	1,682,318,452	4.24	7.73
Health	6,244,361,483	13.08	5,026,464,106	12.66	24.23
Land Vehicles	7,842,907,976	16.43	6,916,180,532	17.42	13.40
Railway Vehicles	-	-	11,068	-	(100.00)
Air Vehicles	179,857,508	0.38	114,153,481	0.29	57.56
Sea Vehicles	300,257,212	0.63	218,148,439	0.55	37.64
Marine	829,833,718	1.74	651,957,892	1.64	27.28
Fire & Natural Disasters	6,972,575,466	14.61	5,745,990,852	14.47	21.35
General Damages	5,247,013,900	10.99	4,355,445,077	10.97	20.47
Land Vehicles Liability	15,853,655,606	33.21	13,042,053,210	32.84	21.56
Air Vehicles Liability	194,377,729	0.41	131,775,217	0.33	47.51
Sea Vehicles Liability	31,336,619	0.07	26,402,168	0.07	18.69
General Liability	1,390,294,069	2.91	1,023,855,057	2.58	35.79
Credit	248,338,460	0.52	173,718,087	0.44	42.95
Fidelity Guarantee	71,788,694	0.15	50,021,130	0.13	43.52
Financial Losses	345,630,885	0.72	325,760,102	0.82	6.10
Legal Protection	168,125,712	0.35	225,033,131	0.57	(25.29)
Support	122,350	-	1,318,624	-	(90.72)
Total Non-Life	**47,732,813,112**	**87.34**	**39,710,606,624**	**85.30**	**20.20**
Life	**6,920,767,257**	**12.66**	**6,844,082,921**	**14.70**	**1.12**
Total	**54,653,580,369**	**100.00**	**46,554,689,545**	**100.00**	**17.40**

Source: Insurance Association of Turkey

TURKISH REINSURANCE MARKET AND MİLLİ RE

Providing capacity to 24 proportional bouquets during 2019 renewals, Milli Re leads 18 reinsurance contracts and holds a market share of 27%.

Global cat activity throughout 2017 and 2018 did not have adverse implications on the terms and conditions prevailing in the Turkish market. Sharp depreciation of the local currency especially in the second half of 2018 and the increase in interest rates, combined with the slowdown in investments and economic growth resulted with notable contraction in insurance industry. Additionally, continuation of competitive pressures led to further softening in policy pricing and conditions across the market.

Within this framework there was only limited growth in treaty premiums in TL terms, whereas losses increased disproportionately given the large number of policies where sums insured were either in hard currency or indexed to inflation. Consequently there was some deterioration in loss ratios. On the other hand, against the decline in their premium income and with the ease due to the downward movement in natural catastrophe exposures in Euro terms reflecting the weakening of TL, reinsurers were keen to maintain their expiring income levels and market involvement in Turkey as much as they could during renewals. Treaty capacities and event limits were reviewed and determined on individual cedant basis, in consideration of factors such as portfolio structure, movement in exposures and growth forecasts. Commissions and other treaty conditions reflected a few changes in view of the performance and requirements of particular treaties, bouquets or lines vis-à-vis market conditions. Generally, proportional treaty renewals were more or less flat and placements were completed without much difficulty for reinsurance buyers. Milli Re maintains its prominent position in the market, leading 18 proportional bouquets with steady 27% market share.

While most industry players continued to protect their risk portfolios on proportional bouquet basis for 2019, 5 insurers utilised solely excess of loss reinsurance and Milli Re participated in 3 out of 5 of these programmes.

Milli Re’s premium income from proportional treaties is expected to increase by 23% in 2019, reflecting a number of new accounts added to the portfolio and the anticipation that the effect of rate of exchange and inflation on sums insured will to some extent be translated to premium income particularly in Fire and Marine treaties. While the dominance of Fire did not change in proportional bouquets, Engineering premium showed notable decline due to the slowdown in investments and stagnation in construction industry. The split of premium ceded to proportional treaties is Fire 54%, Engineering 28%, Accident 10% and Marine 8%.

Catastrophe excess of loss programmes protecting insurers’ retentions in Fire and Engineering against natural catastrophe perils including earthquake, flood, windstorm and hail were largely impacted by the volatility in rates of exchange over 2018. With vast majority of excess of loss agreements being in Euro, sharp decline in premium income in Euro terms due to the depreciation of TL over the year, resulted with mindeps to remain disproportionately high not only against the premium base of the programmes but also versus reduced exposures as the attachment and limits in Euro terms moved upwards with the weakening of the local currency. In this context, mindep ratios of many programmes which were affected by increase in the exchange rate were revised downwards during the year, while structures of a number of programmes were optimised to achieve a better cost vs. reward balance.

Cat Excess of Loss purchase for 2019 was determined on the basis of aggregates in Euro terms, cat model results in the context of generic development in exposures against depreciation of TL, as well as growth expectations for individual portfolios. Under these circumstances, a number of buyers reduced the vertical cover they were buying and/or restructured their programmes in order to optimise reinsurance costs. Meanwhile, there was even increased tendency of multinational groups centralizing their reinsurance purchase by combining Turkey with other regions in order to reduce their costs. Total Cat Excess of Loss protection purchased by the Turkish market excluding TCIP and Milli Re was Euro 4.1 billion, reduced by 29% for 2019 in line with the 27% decline in earthquake exposures in Euro terms vis-à-vis 2018.

In this context, Cat Excess of Loss programmes for the Turkish insurance market generally saw risk adjusted rate increases up to 10%. In 2019, Milli Re has around 8% involvement across the market.

Composition of Milli Re's local portfolio differs significantly from that of Turkish Non-Life market. Largest contributors to premium income in the Turkish market are Land Vehicles Liability and Land Vehicles (Motor Own Damage), as well as Agriculture and Health. While these lines generate 66% of the total Non-Life market premium, they account only for 9% in Milli Re's local portfolio reflecting the conservative approach under the current market conditions, hence the limited appetite. Accordingly, implications of the recent developments in Land Vehicles Liability and Land Vehicles insurances which cover 31% and 16% of Non-Life premium production and substantial premium and loss increases in Agriculture remain limited in Milli Re's local portfolio. On the other hand, due to the widespread utilisation of proportional treaties in lines such as Fire and Natural Disasters, Engineering and General Liability, cessions to reinsurance remain quite high. Given current market share in proportional treaties, any development in these lines is more readily reflected to Milli Re's local portfolio.

High level of outstanding losses in Fire and Natural Disasters, Engineering and General Liability and the increase in the amount of paid claims in Fire and Natural Disasters and Engineering in comparison with the previous year, led to deterioration in the loss ratio of related branches and Milli Re in these lines. On the other hand, with the real growth in Fire and Natural Disasters and Engineering premiums, which constitute more than 70% of the local premium income and the income transferred from non-technical operations, Milli Re's local portfolio was able to complete 2018 with a technical profit of TL 126 million.

Local Premium by Lines of Business	Share (%)
Fire	47
Engineering	26
Marine	6
General Liability	5
Agriculture	4
Land Vehicles Liability	3
Other *	3
Personal Accident	2
Life	2
Land Vehicles	1
Health	1
Total	**100**

* Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

Local Portfolio	2018	2017	2016	2015	2014
Premium (TL)	911,044,062	818,143,937	698,726,549	739,801,769	721,053,209
Share in Total Premium (%)	69.0	75.4	75.1	74.2	75.3

The office building of Milli Re, where it currently carries out its activities

costliest

2018 was the fourth costliest year on record for insurance sector.

65%

US losses dominated the statistics, accounting for 65% of the total global industry losses.

GLOBAL REINSURANCE MARKET AND MİLLİ RE IN 2018

In 2018, total economic losses from catastrophes reached USD 160 billion.

In 2018, total economic losses from catastrophes reached USD 160 billion, mainly emanating from severe losses recorded in the second half of the year. Even though 2018 catastrophe losses were significantly lower than the USD 350 billion loss amount recorded in 2017, they were still above the USD 140 billion average of the past 30 years' historical losses. Decreasing by 43% year-on-year basis, global insured losses came down to USD 80 billion level, making 2018 the fourth costliest year on record, following 2011, 2017 and 2005 on inflation-adjusted basis.

As was the case in 2017, US losses dominated the statistics, accounting for 65% of the total global industry losses. Even though the total industry loss amount is much lower than last year's record in the aftermath of Harvey, Irma, Maria hurricanes; tropical cyclone remained as the costliest peril in 2018 as well. In total, 2018 hurricane season caused USD 56 billion losses worldwide, of which USD 29 billion was insured. Even though the first half of the year was quiet, Atlantic hurricane season arrived early September and was followed by a series of notable boom of hurricane activities. First major Atlantic hurricane was Florence, which originated as a tropical wave in Western Africa on August 30, scaling up to Category 4 and making its landfall in North Carolina as a Category 1 hurricane on September 14. The storm dumped torrential rain falls, some places received record-breaking amounts of precipitation which in return caused heavy flooding. Total economic losses are estimated to be USD 14 billion, while insured losses remain roughly at USD 5 billion, pointing to the fact that insurance for flood is not as widespread as windstorm cover in the US Reaching US mainland on October 10 with maximum sustained wind speed of 250 km/h, Hurricane Michael was the costliest hurricane of 2018 and the fourth strongest ever in the US history following "Labour Day" (1935) storm, "Camille" (1969) and "Andrew" (1992). Affecting Florida coast extensively, Hurricane Michael is estimated to have caused a total economic loss of USD 16 billion, of which USD 10 billion is expected to be recoverable from insurance industry due to high penetration of both private and commercial/industrial windstorm coverage in the region.

Second year in a row, US rounded up the year with a series of catastrophic wildfires. California state suffered from the most damaging fire events in the US history; Camp, Woolsey and Carr fires. Starting in early November and destroying Paradise area of Sierra Nevada completely, the Camp Fire alone produced a total loss of USD 16.5 billion with insured losses amounting to USD 12.5 billion, making it the costliest individual natural catastrophe event of 2018. Around the same time, Woolsey Fire burned in Los Angeles area, mainly affecting Malibu. Due to high value of houses in the region, Woolsey is expected to have an impact of around USD 4 billion on the insurance market, with total economic burden reaching up to USD 5.2 billion. The least costly among 2018 California wildfires was Carr Fire, yet still causing more than USD 1.5 billion economic loss.

Other regions experienced significant natural disasters as well. Being prone to various disasters, Japan was battered by a series of devastating catastrophes in 2018. In terms of weather-related events, Japan suffered from a number of typhoons affecting the mainland with torrential rainfalls and heavy flooding. Flood losses are estimated to cost around USD 9.5 billion, of which roughly USD 2.4 billion is insured. Typhoon Jebi, which stroke Japan and some parts of

Philippines in September, is considered to be the strongest storm in Japan's history since Typhoon Yancy in 1993. Losses from Typhoon Jebi alone amounted to USD 12.5 billion, with USD 9 billion expected to be recovered from the insurance and reinsurance markets. Aside from severe weather conditions, two earthquakes centred in Osaka and Hokkaido hit the country in 2018, causing USD 9 billion economic and USD 2 billion insured loss.

Moreover, the severest event of 2018 Pacific hurricane season was Category 5 Super Typhoon Mangkhut, which affected The Philippines, some parts of China and Hong Kong, taking about a hundred lives. Total economic loss from Mangkhut is estimated to be USD 6 billion, with insured losses approaching USD 2 billion.

In contrast to other parts of the globe, Europe started off the year with heavy weather conditions. Extratropical Cyclone Friederike which affected Netherlands, Germany, Belgium and United Kingdom in January stands out as the costliest natural disaster recorded in the first half of 2018. The total cost of Friederike to the economy is estimated to be USD 2.7 billion, while USD 2.1 billion of this is anticipated to be absorbed by the insurance industry. Looking at the market losses, Cyclone Friederike is the second-costliest cyclone ever impacting Europe, behind Cyclone Kyrill which occurred in 2007.

Total reinsurance capital, including both traditional and alternative capital in the form of cat bonds, sidecars and ILWs; is estimated to be USD 595 billion. Traditional capital diminished by 4% to USD 496 billion from USD 516 billion, while alternative capital increased by 11% to USD 99 billion at the end of 3rd quarter 2018, from year end 2017 figure of USD 89 billion. Even though the growth rate of alternative capital slowed down due to heavy loss activity in 2018 and the deterioration of losses from the previous year, industry players are confident that the alternative capital will pick up the pace once the trapped collateral is released.

On the other hand, overall demand for traditional reinsurance products continued to grow modestly in 2018, as buyers were keen to purchase more cover in the aftermath of increasing non-peak zone losses and the requirements under the new regulatory regimes, coupled with attractive market conditions.

USD **595** *billion*

Total reinsurance capital is estimated to be USD 595 billion as per the end of third quarter of 2018.

Due to the rise of new business models, change in regulatory framework, shifts in technology and greater emphasis on cost optimization following the diminishing profit margins, transformation was inevitable for some market players. Merger and acquisition activity being the main driver of structural changes, first half year of 2018 was marked with mega deals, total transaction volume reaching USD 37 billion, which is 18% up from 2017 first half year total. Biggest deal of the year was French giant Axa buying Bermuda based insurance company XL Catlin for USD 14.1 billion with the strategy of shifting its focus more into P&C business. Announced in January, AIG completed its acquisition of Validus for USD 5.3 billion in July. There were other transactions in the second half of the year, with Marsh & McLennan agreeing to buy JLT for 5.5 billion in September, Renaissance Re announcing its acquisition of Tokio Millenium Re for USD 1.5 billion in October. Last activity of the year was China Re completing the USD 940 million deals with Chaucer on December 31.

In the eve of Brexit, many players domiciled in the UK searched for alternatives in order to mitigate the potential risks. Following this trend, aiming to protect its policyholders in case the UK leaves the EU without a transitional agreement, Lloyd's of London opted for establishing a subsidiary in Brussels for its European operations. On the other hand, the Corporation revised its syndicate evaluation methods and started implementing stricter mechanisms for market oversight to preserve the brand, competitive edge and security of Lloyd's. In line with the strategy of shifting focus on risk and performance management, underperforming classes were required to be addressed with remedial plans or otherwise withdrawn. Moreover, business plans that had not reflected reduced expenses were rejected in order to improve profitability.

In 2019 renewals, reinsurers opted for a tailor-made approach and assessed their cedants depending on factors such as credibility, loss track record, data quality and exposures. As a result of this approach, some buyers have been able to secure risk-adjusted rate reductions while some others renewed flat or with higher costs. Some buyers with the hope of achieving better terms preferred to approach markets quite late, however early comers have been luckier as 2018 losses piled up towards the year end.

GLOBAL REINSURANCE MARKET AND MİLLİ RE IN 2018

Moreover, the trend of increasing retentions witnessed in the recent years came to an end as many primary market players sought higher reinsurance protection as a result of increased loss activity.

2019 was a challenging year in terms of retrocession renewals. Global market losses of 2018 in addition to the aggravation of 2017 nat cat loss estimates created ambiguity surrounding the available capacity that resulted in late renewals. In contrast to the softening observed in the reinsurance market, double digit rate increases were prominent across loss-impacted retrocession programmes. As some of the capacity from collateralised markets was tied up in the aftermath of 2018 losses, some buyers faced difficulties like higher prices and tighter terms and conditions, especially later in the renewal season. Nonetheless, the gap between retrocession and reinsurance pricing widened even further compared to the previous years and remained to be a major challenge for the industry.

Europe

With the exception of Friederike storm affecting mainly first layers of some cat programmes, Europe experienced a benign year during 2018 in terms of natural catastrophe losses. While Europe-wide loss free cat programmes experienced up to 5% price reductions, undercutting of prices reached 7.5% for Central and Eastern Europe loss free programmes. No major price movements were observed in loss impacted cat programmes. On the other hand, as far as risk programmes are concerned, loss impacted Europe-wide programmes experienced up to 10% price increases, while upward adjustments were capped at a maximum of 7.5% for Central and Eastern Europe loss hit risk programmes. Europe-wide loss free risk programmes renewed with up to 5% rate reductions, while prices fell by 2.5% to 6% for Central and Eastern Europe.

North America

As a consequence of devastating wildfire events which swept through California for the last two years, 2019 renewal discussions were shaped around wildfire peril in the US cat market. Given the high level of losses recorded, many reinsurers shifted their focus to wildfire which has previously been assessed as a secondary peril. For loss affected cat programmes, substantial risk-adjusted price increases going up to 20% were observed, while maximum upward price movement was 10% for risk programmes. Loss free risk programmes renewed at stable to down 2.5%, whereas a wider range was observed for cat programmes, with price changes between -2.5% to 5%.

After a calm year, in 2018, Canada property business was mainly impacted by frequency of wildfire and wind events across western parts of the country, with limited losses observed in the lower layers of programmes. Therefore, risk-adjusted rate increases between 5% and 10% were inevitable for loss hit cat programmes; whereas loss free cat programmes experienced up to 2.5% rate decreases. Risk programme rates were stable to 5% up for loss-free programmes, while loss impacted programmes saw 5% to 10% price increases.

Asia / Oceania

2018 has been a very challenging year for all players in the region. Nevertheless, the region is still the global insurance growth engine for the foreseeable future. It is home to some of the largest economies in the world and with strong emerging economies. With wealth and financial sophistication increasing, accelerating increase in purchasing power and appetite are expected to follow. Furthermore, with governmental support providing the impetus for economic development, the region's financial and insurance markets will continue to be the right place for global players.

In 2018, losses emanating from natural disasters showed a substantial increase in comparison to the last year's loss record. The West Pacific basin saw 27 named storms, of which 14 were typhoons and 7 were super typhoons.

Japan saw unprecedented wind and flood events. This started early in June with flooding from heavy rainfall affecting lower layers of Cat excess of loss programmes and some aggregate covers. This was followed by the recored-setting Typhoon Jebi, the strongest to strike Japan since Typhoon Yancy in 1993. Typhoon Jebi made landfall in Shikoku in September in the Kansai region as a Category 5 typhoon. Later in the month, the Category 3 Typhoon Trami struck Tanabe, a city on the western coast of the Kii Peninsula just south of the Osaka-Kyoto-Kobe metroplex. These three events contributed losses of about USD 14 billion to the market, affecting up to the mid-layers of numerous wind excess of loss programmes and exhausted many aggregate covers, obliging insurance companies to seek back-up covers in the midst of these events.

In September, Typhoon Mangkhut also known as Typhoon Ompong in the Philippines was another major event affecting the region, which brought widespread damages to Guam, the Philippines, Hong Kong and Southern China. Moreover, Mangkhut is the strongest typhoon to make landfall in the Philippines since Typhoon Haiyan in 2013 and the strongest typhoon to affect Hong Kong since Typhoon Ellen in 1983. The insured loss was small in the Philippines due to low insurance penetration but was significant in Hong Kong, which was estimated between USD 1 and 2 billion.

In December, the Indonesian provinces of Lampung and Banten experienced a deadly Tsunami that was likely caused by undersea landslides in the Sunda Strait following an eruption by the Anak Krakatoa volcano. It led to widespread destructions to homes, buildings and infrastructure. The death toll is expected to exceed 430.

The market insured loss is estimated at USD 1.1 billion. A few months earlier, a magnitude 7.5 earthquake struck Indonesia's Central Sulawesi province in September triggering a tsunami and landslides causing devastation of structures and more than 2,000 deaths. There is little information on the insured damages due to the remoteness of the region and low insurance penetration.

During the course of the year, the region saw a spate of closures of some reinsurers and ceasing of certain lines of business, particularly of Lloyd's syndicates. This immediately led to premium rate increases in the engineering class and to a lesser extent, marine hull.

It has been a smooth renewal season for Asia in general. Ongoing price competition was prominent. Risk-adjusted price decreases stood between 2.5% and 10% in respect of loss free programmes.

During 2019 renewals in China, reinsurance buyers managed to secure higher commissions in respect of proportional treaties and were more selective regarding financial security of their reinsurance panel on the back of more stringent measures by the regulatory authorities. On the other hand, because of the country's geographic vulnerability to natural disasters, aiming at profitability, reinsurers opted for reducing their participation on the lower end of catastrophe programmes.

Korean market remained attractive in 2018 with abundant capacity available, paving the way for a smooth renewal for cedants and putting pressure on rates.

27

In 2018, losses emanating from natural disasters showed a substantial increase in comparison to the last year's loss record. The West Pacific basin saw 27 named storms, of which 14 were typhoons and 7 were super typhoons.

Middle East

The recession in Middle East countries, the contraction in liquidity and the decrease in the public spending also affected the insurance market. During 2019 renewals, it was observed that the terms and conditions in the proportional agreements were renewed mostly as expiry due to the absence of major risk losses in the region.

Mekunu Cyclone which hit Oman and Yemen in 2018, being the largest storm occurred in GCC since 1958 particularly affected Dhofar region. The cyclone seriously damaged Salalah Port, Oman Petrochemicals and region's infrastructure. While the economic loss has reached USD 400 million, the insured loss is expected to be roughly USD 280 million. On the other hand, heavy rains in November 2018 affecting Jordan, Kuwait and Saudi Arabia triggered flash floods and the related economic loss reached USD 320 million.

There has not been any shrinking in reinsurance capacity, though on the contrary there is interest to the region from Portuguese and Brazilian Reinsurance companies.

Meanwhile, government spending is expected to increase in the region as oil prices have reached their highest level since 2014. After ADNOC's discovery of a huge natural gas reserve, UAE's supreme petroleum council has given green light to ADNOC to spent USD 136 billion in the investment to increase its production capacity. This situation will turn UAE from a natural gas importer to an exporter. Additionally, as a result of the governments' spending on infrastructure due to Abu Dhabi's recently announced economic development plan, Expo 2020 in Dubai and World Cup 2022 in Doha; the insurance industry is expected to benefit from these developments. In line with the decision of Chinese government to increase the economic cooperation with Egypt, Chinese companies are expected to invest USD 18 billion including infrastructure construction and energy projects in 2019.

GLOBAL REINSURANCE MARKET AND MİLLİ RE IN 2018

In addition to the above expectations, Saudi Arabia Monetary Authority (SAMA) is almost finalizing the regulation on mandatory health insurance for the expatriates in the country. After the inurement of the specified regulation, a significant augmentation for health insurance premiums is definitely anticipated. In the event of approval of the bill regarding the change in the upper limit of foreign direct investment from 49% to 100%, this will lead up to new investments that would encourage the growth of the insurance sector in the long run.

The Egyptian Insurance Regulatory Authority (FRA), aims to raise the total insurance premium in the country to EGP 50 billion (USD 2.8 billion) by 2022, wording a national strategy plan for non-bank financial services which is currently in the draft phase. Introduction of the compulsory third party liability insurance for various occupational groups, development of insurance legislation, promotion of innovative insurance products as well as the promotion of insurance awareness are the hot topics in the mentioned plan.

North Africa

Having the highest insurance penetration and density rates compared to other markets of the region, Morocco, Algeria and Tunisia continue to attract the interest of many reinsurers who aspire to accept businesses from these emerging markets of North Africa.

In Morocco, the leading insurance market in North Africa, despite the termination of compulsory cession enforcement, Société Centrale de Réassurance (SCR) still dominates the market because of its long lasting relationship with the market players built over the years.

Algeria being one of the largest insurance markets in North Africa, has not reached to the desired level although it is one of the biggest economies in the Region owing to its rich oil and gas reserves. The market attracts the attention of the international reinsurers. However, since CCR (Compagnie Centrale de Reassurances) is the state owned reinsurance company enjoys 50% compulsory cession, the international reinsurers find it hard to enter the market or increase their premium level.

Being much smaller than Moroccan and Algerian markets; Tunisia preserves its stance as being more open to foreign reinsurers. As a result of the abundance of the insurance companies in the market as well as the regional reinsurers opening offices in the country, the competition increases.

Apart from the floods occurred in Tunisia, there was no big natural disaster or major risk loss in the North Africa region and the frequency of small risk claims was similar to the previous years. Loss affected programmes have seen 9% rate increases while the rate decreases for loss free programmes stand around 5%.

India

In 2017, India's premium production reached USD 98 billion, representing 2% of world's gross premium production. Low insurance penetration on one hand and 1.3 billion population on the other, India is most certainly a hot spot for the insurance industry.

After the regulator IRDAI's approval allowing foreign reinsurers to open up branch offices in India in 2018, foreign reinsurers continue to support the market on the facultative side instead of growing their treaty portfolio.

With the intention of forming a stronger capital structure, the merger of National Insurance, United Insurance and Oriental Insurance, all being state owned companies, still remains on the agenda and is expected to be finalised during 2020

Pakistan

Compulsory cession to local reinsurer, Pakistan Re, continued with 35%, with the exception of takaful businesses. However, company obtained its re-takaful license as of 1st of October, 2018.

With the "China Pakistan Economic Corridor" infrastructure treaty signed by the governments of China and Pakistan; "Naya Pakistan" mass housing project; widespread use of health insurance incited by the government and finally the policy of Securities and Exchange Commission of Pakistan's (SECP) more active role in the insurance industry, further growth is expected in the insurance market.

In the absence of any catastrophe or large risk losses, commission rates of the profitable proportional treaties were increased and 5% to 15% rate reductions were observed in the loss free XL programmes.

Eastern Europe

Eastern Europe insurance market kept its balanced growth rate and was able to increase its premium income by 2% to EUR 18.7 billion in the first half of 2018. The largest contributions to the upswing trend were provided by Slovenia, the Czech Republic, Croatia, Latvia and Lithuania. Poland, the flagship of CEE market, and Romania were the two markets that had negative impact on the regional growth rate effectuated by depreciation of the local exchange rate against Euro.

With the exception of Friederike cyclone that mainly hit France, Germany, Poland and Czech Republic, there were not any other major catastrophic events that affected CEE region and low insurance penetration rate in the region made the effect of the event on the catastrophe programmes relatively limited. While proportional programmes were renewed almost as expiry, due to the above mentioned reasons, rates of loss free catastrophe excess of loss treaties have decreased by 7.5%. In respect of risk excess of loss treaties, the rates of loss free programmes have been reduced by 6% and loss affected programmes faced rate increases between 2.5% and 7.5%.

Russia

The gross written premium production in the Russian market reached up to RUB 1,093 trillion (EUR 14.5 billion) in the first 10 months of 2018 registering a 13.65% growth compared to the same period of the previous year. Most significant contribution to this market growth came from life insurance with a year-on-year growth rate of 40.72% and its market share increased to almost 30%.

Due to the regulatory changes made by The Central Bank of the Russian Federation in respect of capital adequacy, the number of the insurance companies in the country fell from 237 to 226 in the first half of 2018. Following to this development in the market, the share of the top 25 insurance companies increased to 84%.

Due to the conflict between Russian Federation and Ukraine over Crimea Region, some Russian companies, banks and businesspeople were sanctioned by U.S.A. and many European countries. That also affected insurance market which resulted with the establishment of Russian National Reinsurance Company to reinsure sanctioned risks. RNRC having 10% compulsory cession has started accepting business from the market in 2017. The company strengthened its position in 2018 and started to seek opportunities outside Russia.

31%

The share of international portfolio in Milli Re's total premium reached to 31%.

Another very notable development is the merger of the Sogaz and VTB, two of the top three companies of the insurance sector in Russia. After the merger, it is forecasted that Sogaz's market share might hit 20%. In 2018, there was no large catastrophe occurred and the risk losses were much more insignificant compared to 2017. Thus, loss affected programmes have seen only 6% rate increases while the rate decreases for the loss free programmes have reached to 15%.

International Portfolio 2018 Results

In order to diversify the portfolio in line with its profit-oriented and sustainable growth approach, Milli Re started to be more active in international reinsurance markets since 2006. International portfolio of the Company consists of business accepted from developing markets which incorporate General Acceptance business, Singapore Branch business, Pool (FAIR/ECO/TRP) business, Turkish Republic of Northern Cyprus business and of business accepted from developed markets.

A significant portion of the international portfolio is made up of General Acceptance business from countries that fall under the scope of FAIR Reinsurance Pool, which has been managed by Milli Re since its establishment in 1974. Additionally, having started its operations in 2008, Milli Re Singapore Branch continues to work efficiently in the Far East, a region which represents significant potential.

In emerging markets, despite the factors such as excess reinsurance capacity, increasing competition environment, political instability and compulsory reinsurance cession to protect national markets, new accounts in line with our underwriting appetite were acquired in 2018 as the result of the strong relations built with our clients over the years as well as our high quality services. The business written from the emerging markets which currently represents 62% of the total international premium production attained a stable growth.

GLOBAL REINSURANCE MARKET AND MİLLİ RE IN 2018

On the other hand, as part of international expansion strategy, Milli Re began writing business from select Continental European and Lloyd's market players starting from 2007, by participating in conventional reinsurance contracts of leading global reinsurers as well as providing capacity to a few syndicates. Corresponding to roughly 38% of total international premium generated in 2018, Developed Markets Portfolio consists of a limited number of well-balanced retrocession accounts, contributing to the diversification of the overall book.

Referring to the relevant portfolio, a large-scale Lloyd's account was cancelled in 2019 January renewals as part of profit oriented risk management framework as well as conservative underwriting approach, given the poor performance of the treaty. On the other hand, rest of the portfolio which contributed to profitable results was renewed.

Premium income for the international reinsurance portfolio reached TL 409.1 million, showing an increase of 52.9% in comparison with previous year as a consequence of positive contribution of foreign exchange fluctuations as well as the acquisition of a new business providing the opportunity to participate into various Lloyd's accounts. Despite the fact that, premium and evaluation income regarding the Developed Markets portfolio increased in comparison with the previous year, the profitability of the portfolio was narrowed down in 2018 by the negative impact of the 2017 Nat Cat losses.

Although there was no significant change in the development of paid claims and outstanding claims compared to the previous year, the fluctuations in rates of exchange in 2018 led to an increase in outstanding claims and had a negative impact on technical results in the developing markets.

Consequently, international portfolio resulted with a technical loss of TL 24.9 million in 2018.

International Premium by Lines of Business	Share (%)
Fire Marine	63
Engineering	8
Marine	7
Land Vehicles	6
Agriculture	5
Land Vehicles Liability	4
General Liability	3
Personal Accident	2
Other *	2
Total	**100**

* Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

International Portfolio	2018	2017	2016	2015	2014
Premium (TL)	409,133,471	267,568,952	231,239,381	256,955,461	236,768,156
Share in Total Premium (%)	31.0	24.6	24.9	25.8	24.7

FINANCIAL STRENGTH, PROFITABILITY AND SOLVENCY

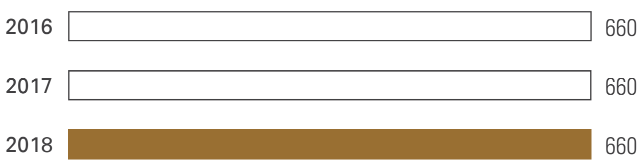
Milli Re's premium production reached TL 1,320 million increasing by 21.6% while losses paid was around TL 765 million and the net profit obtained was TL 278.2 million.

Company's Liquid Assets correspond to 51% of Total Assets. Owing to its strong and balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations.

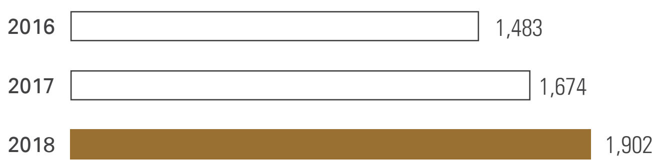
Details on technical results are presented in the "2018 Technical Results" section.

Financial Results (TL million)	2018	2017	Change (%)
Total Assets	3,738.2	3,179.5	17.57
Shareholders' Equity	1,736.3	1,587.1	9.40
Technical Income	1,523.2	1,082.5	40.71
Technical Profit/Loss	100.7	63.2	59.32
Financial Income	644.5	378.2	70.44
Financial Profit/Loss	177.6	139.8	26.97
Profit/Loss for the Period	278.2	203.0	37.04

Paid-up Capital (TL million)



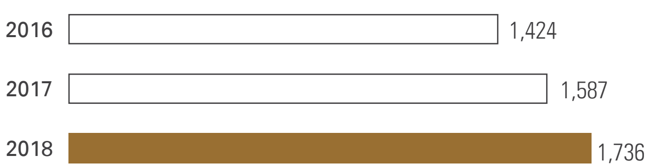
Premium Income (TL million)



Liquid Assets (TL million)

Profit for the Period (TL million)

Shareholders' Equity (TL million)



Technical Profit (TL million)

KEY FINANCIAL INDICATORS

(TL)			
Assets	2018	2017	2016
Cash and Cash Equivalents	1,742,214,225	1,223,132,413	1,125,225,034
Securities	159,988,747	451,080,848	358,120,872
Affiliates	768,947,999	663,651,785	567,098,842
Fixed Assets	606,233,234	537,462,778	490,521,070
Total Assets	3,738,241,986	3,179,504,466	2,816,938,598
Liabilities			
Technical Provisions	1,842,662,679	1,461,011,296	1,281,578,500
Shareholders' Equity	1,736,300,262	1,587,067,868	1,423,976,225
Income and Expense Items			
Technical Income	1,523,163,876	1,082,506,489	1,074,784,017
Technical Expenses	1,422,503,672	1,019,325,705	989,695,519
Technical Profit/Loss	100,660,204	63,180,784	85,088,498
Financial Income	644,537,098	378,157,716	320,507,563
Financial Expenses	425,812,893	192,041,506	175,258,106
General Expenses	41,170,997	46,274,649	26,726,616
Financial Profit/Loss	177,553,208	139,841,561	118,522,841
Profit/Loss for the Period	278,213,412	103,711,833	144,282,139

Key Ratios (%)	2018	2017	2016
1. Capital Adequacy Ratios			
Gross Premiums/Shareholders' Equity	79	72	69
Shareholders' Equity/Total Assets	44	47	48
Shareholders' Equity/Net Technical Provisions	90	103	104
2. Asset Quality and Liquidity Ratios			
Liquid Assets/Total Assets	51	53	53
Liquidity Ratio	154	170	163
Current Ratio	121	128	128
Premium and Reinsurance Receivables/Total Assets	8	6	6
3. Operational Ratios			
Retention Ratio	87	88	89
Paid Claims/Paid Claims+Outstanding Claims	39	39	39
4. Profitability Ratios			
Gross			
Loss Ratio	84	69	72
Expense Ratio	27	28	31
Combined Ratio	111	97	103
Net			
Loss Ratio	93	76	77
Expense Ratio	31	31	34
Combined Ratio	124	107	111
Profit Before Tax/Gross Written Premiums	23	23	22
Gross Financial Profit/ Gross Written Premiums	16	17	13
Technical Profit/Gross Written Premiums	7	6	9
Profit Before Tax/Average Total Assets	8	8	7
Profit Before Tax/Average Shareholders' Equity (Excluding Profit)	22	19	18

COMPANY CAPITAL

Company's capital adequacy is calculated in accordance with the principles set out in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 29454 dated 23 August 2015. According to the calculation based on the principles specified by the Regulation, Milli Re had a surplus of TL 1,079 million as at end of 2018.

The Company has sufficient shareholders' equity to cover liabilities that might result from its existing and potential risks.

Capital Adequacy (TL million)	2018	2017	2016
Required Capital	467	385	355
Available Capital	1,546	1,367	1,178
Capital Adequacy Result	1,079	982	823

2018 TECHNICAL RESULTS

Milli Re's premium income increased by 21.60% on a year-on-year basis and reached TL 1,320,177,533 in 2018. Paid claims increased by 24.35% and were recorded as TL 765,974,345 as at the end of 2018.

Premium Production (TL)

Lines of Business	2018	2017	2016
Accident	29,228,125	38,973,085	43,111,183
Health	6,949,085	7,605,904	7,535,875
Land Vehicles	34,067,419	21,540,505	16,656,530
Railway Vehicles	-	-	-
Air Vehicles	522,708	456,774	564,684
Sea Vehicles	36,025,194	30,059,346	28,387,945
Marine	50,733,243	40,782,720	35,634,493
Fire & Natural Disasters	688,500,691	521,732,614	440,311,195
General Damages	358,625,948	313,468,608	252,815,768
Land Vehicles Liability	41,101,168	43,211,274	37,555,722
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	24,404	7,008	18,874
General Liability	51,426,124	48,562,577	46,549,782
Credit	-	(47,688)	979
Fidelity Guarantee	688,030	546,544	553,433
Financial Losses	1,552,706	1,131,580	955,021
Legal Protection	418,001	1,752,535	104,392
Total Non-Life	**1,299,862,846**	**1,069,783,386**	**910,755,876**
Life	**20,314,687**	**15,929,503**	**19,210,055**
Total	**1,320,177,533**	**1,085,712,889**	**929,965,931**

2018 Premium Production

Geographical Breakdown	TL	%
Turkey	**911,044,062**	**69**
Asia	**179,749,031**	**14**
Asia	119,405,954	9
Middle East	60,343,077	5
Europe	**78,966,628**	**6**
Western Europe	28,921,090	2
Central&Eastern Europe	50,045,538	4
Worldwide	**76,235,113**	**6**
Others (incl. America)	**68,479,476**	**5**
Africa	**5,703,223**	**-**
Total	1,320,177,533	100

2018 TECHNICAL RESULTS

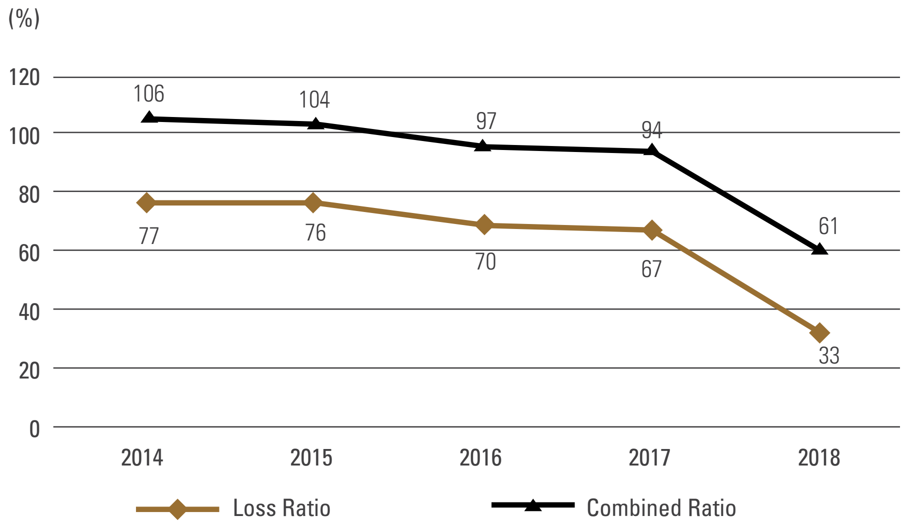
Milli Re's technical operations resulted with TL 100.7 million of profit, owing mainly to increasing premium income, contribution of other income and expense accounts and net income transferred from non-technical accounts.

Technical Profitability (TL)

Lines of Business	2018	2017	2016
Accident	9,654,743	10,083,882	27,027,266
Health	336,021	2,399,238	(647,733)
Land Vehicles	5,243,438	(4,417,497)	2,717,711
Railway Vehicles	-	-	-
Air Vehicles	(134,925)	(82,917)	847,538
Sea Vehicles	(4,004,357)	(18,198,146)	6,389,882
Marine	18,564,180	8,511,107	12,583,486
Fire & Natural Disasters	97,531,101	76,624,490	79,364,312
General Damages	1,768,730	13,250,496	2,945,551
Land Vehicles Liability	(29,263,167)	(32,593,428)	(29,232,771)
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	(350,778)	177,638	(449,017)
General Liability	(4,138,904)	9,809,147	(13,723,573)
Credit	(188,397)	2,385	(50,491)
Fidelity Guarantee	(535,041)	(1,169,210)	(979,520)
Financial Losses	(283,129)	(1,412,299)	(283,632)
Legal Protection	1,021,919	1,150,712	79,424
Total Non-Life	**95,221,434**	**64,135,598**	**86,588,433**
Life	**5,438,770**	**(954,814)**	**(1,499,935)**
Total	**100,660,204**	**63,180,784**	**85,088,498**

Development of technical ratios per underwriting year are given below in order to provide a better assessment of the implication of the revisions made in Company business model in line with the Company strategy.

Technical Ratios per Underwriting Year



2018 FINANCIAL RESULTS

The Company's financial investments are made in accordance with the Asset Investment Guidelines formulated under the provisions of the "Regulation Amending the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 27877 dated 17 March 2011.

The Company prefers to invest in liquid instruments with high yield and minimum risk, while part of the portfolio is managed by İş Portföy Yönetimi A.Ş. (İş Asset Management). The Company's financial results are presented in detail below.

Investment Income

In 2018, income from financial assets rose by 55.32%, mainly by the increase in interest income accrued from time deposits.

Income from disposal of financial assets increased by 120.74%. This is due basically to the income from sale of investment funds during the current year.

Valuation of financial assets increased reflecting the revaluation differences related to time deposits.

The Company registered a 237.32% increase in foreign exchange gains due to the rise in the income obtained from evaluation transactions of Company's foreign currency assets reflecting the movements in rates of exchange during the reporting period.

In 2018, subsidiaries of the Company Anadolu Anonim Türk Sigorta Şirketi and Miltaş, as well as the equity of Anadolu Hayat Emeklilik Anonim Şirketi (Anadolu Hayat) which is an affiliate, are accounted in line with equity method and accordingly, owing to the profit of these companies, income from affiliates and income from subsidiaries and joint ventures increased.

The Company recognises its subsidiaries and affiliates using equity method with respect to TAS 27.

As a result of the comparably lower appreciation in the value of investment properties accounted in line with fair value method, there was a decrease of 21.64% in income from property, plant and equipment during the reporting period.

Milli Re's total investment income increased by 70.44% and amounted to TL 644,537,098 in 2018.

(TL)	2018	2017	Change (%)
Investment Income	**644,537,098**	**378,157,716**	**70.44**
Income From Financial Assets	214,039,085	137,801,432	55.32
Income From Disposal of Financial Assets	50,373242	22,820,237	120.74
Valuation of Financial Assets	7,026,454	1,328,966	428.72
Foreign Exchange Gains	139,716,863	41,419,317	237.32
Income from Subsidiaries	31,731,033	28,233,340	12.39
Income from Subsidiaries and Joint Ventures	157,046,405	89,674,722	75.13
Income From Property Plant and Equipment	44,371,016	56,622,702	(21.64)
Other Investments	233,000	257,000	(9.34)

2018 FINANCIAL RESULTS

Investment Expenses

Losses from the disposal of financial assets increased during the reporting period due to the fluctuations in the market.

Investment income transferred to non-life technical account increased by 115.87% due to higher technical provisions and increase in investment income as at 31.12.2018.

Due the movements in rates of exchange, foreign exchange losses increased.

Further to the expenditure calculated in accordance with the increase in the income subject to expenditure tax, other investment expenses increased by 58.39%.

There was an increase of 121.73 % in the Company's total investment expenses in 2018.

(TL)	2018	2017	Change (%)
Investment Expenses	**(425,812,893)**	**(192,041,506)**	**121.73**
Investment Management Expenses - (Incl. Interest)	(511,981)	(846,635)	(39.53)
Loss from Disposal of Financial Assets	(11,907,041)	(996,561)	1,094.81
Investment Income Transferred to Non-Life Technical Account	(338,043,300)	(156,592,562)	115.87
Foreign Exchange Losses	(57,759,377)	(21,942,845)	163.23
Depreciation and Amortization Expenses	(2,297,422)	(2,007,230)	14.46
Other Investment Expenses	(15,293,772)	(9,655,673)	58.39

Income and Expenses from Other and Extraordinary Operations

Income and expenses from other operations and extraordinary operations account increased as a result of the absence of deferred tax income accrued in 2018 which was accounted in 2017 in deferred tax asset account due to the discounting of net cash flows of outstanding loss reserves.

(TL)	2018	2017	Change (%)
Income and Expenses From Other and Extraordinary Operations	**(13,488,014)**	**(2,143,249)**	**529.33**
Provisions	(13,191,358)	(11,519,265)	14.52
Rediscounts	(727,787)	(271,769)	167.80
Deferred Taxation (Deferred Tax Assets)	1,814,922	9,420,780	(80.73)
Other Income	379,572	499,542	(24.02)
Other Expenses and Losses	(1,763,363)	(272,537)	547.02

Corporate Tax Liability Provision on Period Profit

The decrease in the corporate tax liability provision on period profit account is caused by the prepaid taxes related to previous years' profit and the profit for the period of 01 January-31 December 2017 accounted as a result of the discounting of net cash flows of outstanding loss reserves during the previous period.

As a result, the Company posted a net profit of TL 278,213,412 in 2018.

GENERAL ASSEMBLY AGENDA

MILLI REASÜRANS T.A.Ş.
AGENDA FOR THE GENERAL ASSEMBLY HELD ON 25 MARCH 2019

1. Opening and formation of the Presiding Board,
2. Reading and discussion of the 2018 Activity Report drawn up by the Board of Directors,
3. Reading of the Statutory Auditors' report,
4. Reading, discussion and approval of the Company's Financial Statements for 2018,
5. Declaration of the Board of Directors,
6. Determination of the manner and date of distribution of profit,
7. Election for the seats on the Board of Directors,
8. Determination of Statutory Auditor,
9. Determination of the remuneration to be paid to the members of the Board of Directors,
10. Authorizing the Board of Directors to perform the transactions set out in Articles 395 and 396 of the Turkish Commercial Code.

REPORT BY THE BOARD OF DIRECTORS

Distinguished Shareholders,

We respectfully present the balance sheet, income statement, profit distribution statement, statement of changes in equity, and the cash flow statement showing the results achieved in 2018, marking the Company's 90th year of operation, for the assessment and approval of the Esteemed Assembly. These documents are prepared in line with the provisions of applicable legislation and the principles and guidelines set out by the Republic of Turkey Ministry of Treasury and Finance.

After 2017, a year in which global economy showed a strong performance, 2018 began with a positive outlook, however global economic activity started to lose momentum in the second quarter, and the economic slowdown remained effective in the third quarter as well. This situation arose from the simultaneous deceleration in both developed and emerging countries' growth rates. According to The World Economic Outlook Report published by IMF in January 2019, global growth for 2018 is estimated at 3.7%. The ongoing slowdown in Euro Zone growth rate became more apparent, while looking at the emerging markets, growth rates declined in Asia and Eastern Europe

US tax policies, Fed interest rate decisions, geopolitical risks in the Middle East region as well as the stagnation in energy price increases stood out as the main factors behind the weakening in global growth. The ongoing US-China trade war during 2018, restored sanctions on Iran, protests in France against the economic conditions, Italy's budget crisis with the EU, as well as the ambiguity caused by the possibility of no-deal Brexit were among the prominent developments of 2018.

Gradual monetary tightening trend of advanced countries' central banks continued during 2018. As expected, Fed closed the year with four interest rate hikes, while European Central Bank announced to end its asset purchase programme in December. Advanced economy unemployment rates reaching to record low levels, inflation rates being in line with the targets, financial risks of low interest rate environment, as well as willingness to expand the scope of policy tools encouraged central banks to start adapting monetary normalization. As a result of the slowdown in global economic growth, instability in the financial markets and the increased economic uncertainty, central banks in developed countries faced unfavourable conditions in respect of their monetary policy decisions.

On the other hand, looking at the political and financial environment, Turkey had a very fast-paced and unsteady agenda for 2018. Operation Olive Branch, 24 June Presidential and Parliamentary Elections, downgrading in both Turkey's sovereign and banking system credit ratings, CBT's decision to increase inflation rates as well as the announcement of the new economic program were the developments which set the course for the financial markets in 2018.

With the support of global demand, Turkish economy started off the year 2018 with strong performance and substantial levels of economic progress was recorded in the first two quarters, as evidenced by the continued positive differentiation relative to other emerging market economies. However, this positive outlook was impacted negatively in the second half of the year and a rapid adverse change was observed. A very limited growth, remaining only at 1.8%, was recorded in the third quarter of the year. With the impact of the depreciation of Turkish lira, inflation rate climbed up to high levels. On the other hand, economic stabilization to some extent was sustained as a result of the positive movement in export figures. The normalization in Turkey's international relations in addition to rapid decline in oil prices allowed the economy to gain strength while weakening in overall demand in the last quarter of the year supported the declining trend in inflation. The consumer inflation was registered as 20.3% at the end of 2018.

In 2018, the total economic cost of the natural catastrophes reached USD 160 billion. Even though this aforementioned amount is significantly lower than the USD 350 billion loss amount recorded in 2017, it was still well above the average of the past 30 years' historical losses. USD 80 billion of the total loss amount caused by natural disasters of 2018 is expected to be borne by the insurance industry.

In 2018, majority of the global insured losses emanated from the catastrophes occurring in USA. In addition to the economic loss caused by the tropical hurricane season, USA witnessed a series of catastrophic wildfire events. Extratropical Cyclone Friederike, which occurred as a result of the heavy weather conditions prevailing in Europe and affected Netherlands, Germany, Belgium and United Kingdom in January, was the costliest natural disaster recorded in the first half of 2018. Moreover, Typhoon

Jebi, which stroke Japan and some parts of Philippines in September, is considered to be the strongest storm in Japan's history since Typhoon Yancy in 1993. However, the severest event of 2018 Pacific hurricane season was Category 5 Super Typhoon Mangkhut, which affected The Philippines, some parts of China and Hong Kong.

Global reinsurance capital reached USD 595 billion by the end of the third quarter of 2018. In January 2019 renewals, available capacity remained abundant while the market players sought higher reinsurance protection as a result of increased frequency in catastrophic activity. While the reinsurers did not follow a common trend in their approach to buyers, they opted for assessing cedant companies with respect to their risk profiles and performance records.

According to the year-end figures published by the Insurance Association of Turkey, total premium production in the Turkish insurance market reached TL 54.7 billion, corresponding to 17% growth on nominal basis and 2% reduction in real terms, compared to last year. This total amount reflects the double counting effect on the industry data arising from the High Risk Insurance Pool established for Land Vehicle Third Party Liability. 87% of the total premium was generated from Non-Life business, while 13% thereof was obtained from Life. As a result of the economic slowdown and the adverse effect of the rising interest rates on consumer and housing loans, Life Insurance could not achieve any substantial growth and its share within the market premium production decreased to 13% in 2018, from last year's figure of 15%. Even though Non-Life premium increased by 20% on nominal terms, due to the factors such as declining car sales, diminishing property insurance, slowdown in economy and investments, continuous price competition as well as the on-going price cap on Land Vehicles Liability Insurance, a decline in real terms was recorded.

On the other hand, the global catastrophe losses recorded in 2017 and 2018 did not cause any adverse effect on local insurance industry in Turkey with regards to the available capacity and terms offered. In general, no substantial changes were observed in cedants' 2019 treaties compared to the previous term.

With its know-how and experience in the local market, reputation in the international markets as well as its strong financial structure; Milli Re participates in a significant number of the reinsurance programmes of companies operating in the Turkish insurance market, most of which have international investors. Leading proportional treaties of 18 companies in 2019, Milli Re holds its market share of 27%.

Providing reinsurance capacity to the Turkish insurance market since 1929, our Company started to underwrite business from the international markets in 2006 and Singapore Branch started its operations in 2008, as part of Milli Re's strategy to expand to international markets. Marking its 90th anniversary in 2018 and being one of the oldest reinsurers active in Europe, Milli Re provides reinsurance capacity to various insurance companies operating in over 50 countries.

The total premium production of our Company by the end of 2018 reached TL 1,320 million. 69% of the total premium amounting to TL 911 million was obtained from local business while 31% equalling TL 409 million originated from international business acceptances. In 2018, taking into account the investment income and expense transferred from non-technical operations, our Company obtained a profit of TL 100.7 million in respect of our technical operations and TL 177.5 million from financial operations and closed the 2018 operating year with a profit for the year of TL 278 million. The paid in capital of our Company as at the end of 2018 was TL 660 million, its assets reached TL 3,738 million and shareholders' equity was TL 1,736 million.

We would like to extend our thanks to our esteemed stakeholders for providing the greatest contribution to our Company to maintain its prestige and reliability acquired during these 90 years of operation, and to continue its efforts to be a preferred business partner with its robust financial structure.

BOARD OF DIRECTORS

DIVIDEND DISTRIBUTION POLICY

Maintaining a balance between the Company's interests, shareholders' expectations and the Company's profitability are the main factors taken into consideration in relation to dividend distribution.

Dividend distribution principles that are determined within the framework of the applicable legislation and the Company's Articles of Association are presented below:

Profit distribution of the Company is decided by the General Assembly of Shareholders based on the proposal set forth by the Board of Directors in view of the provisions of the Turkish Commercial Code and other applicable legislation governing the Company.

The Company's net profit consists of the revenues generated up until the end of an accounting period less general expenses, depreciation, all reserves deemed necessary, taxes and similar legal and financial obligations, along with previous years' losses, if any.

Net profit, which is calculated as mentioned above, is allocated and distributed in the order written below:

a) An amount equal to 5% of the net annual profit is set aside as general legal reserves every year until such reserves reach 20% of the paid-in capital.

b) Once the legal limit is reached, the amounts stipulated by Article 519/2 (a) and (b) of the Turkish Commercial Code are added to the general legal reserves.

c) A first dividend equal to 10% of the remaining net profit is distributed to shareholders.

d) In the event that the Company has repurchased its own shares, reserves equal to the amount that would cover the acquisition costs will be set aside pursuant to Article 520 of the Turkish Commercial Code.

e) A natural disaster and catastrophe fund may be set aside from the remaining amount, if deemed necessary, of amounts to be determined upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly.

f) From the balance that remains after setting aside the legal reserves, first dividends, other reserves and funds mentioned above from the net profit, a proportion up to 3% is paid out to employees, provided that the amount does not exceed three times' the recipients' salaries.

g) From the amount remaining after the above mentioned allocations and distributions, without prejudice to the provisions of the applicable legislation, a second dividend is paid to shareholders upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly.

h) In pursuance with the provision of Article 519/2 (c) of the Turkish Commercial Code, 10% of the total amount to be distributed to those who will receive a share of the profit will be added to legal reserves.

i) The balance will be utilised in a form and manner to be determined by the General Assembly.

Provisions of Article 519/3 of the Turkish Commercial Code are reserved.

Unless and until the reserves that are legally required to be set aside and the first dividends determined for shareholders in the Articles of Association are set aside, no decision may be taken to set aside further reserves, to carry forward profit to the following year or to distribute any share of the profit to the employees.

The distribution of the cash dividend must be realised no later than by the end of the second month following the date of the Annual General Assembly in which the profit distribution decision was passed. The distribution of a dividend in the form of dematerialised shares is carried out upon receipt of legal permissions.

DIVIDEND DISTRIBUTION PROPOSAL

Out of TL 309,275,069	that constitutes the pretax profit reported in 2018 balance sheet,
Less TL 27,682,983	to be set aside as provision for taxes provided that there is a balance after accrual of taxes, such balance will be added to legal reserves;
Yielding TL 281,592,086	which is the pretax profit reported in 2018 balance sheet,
TL 14,079,604	which is 5% pretax profit, set aside for legal reserves as per section 27/a of the Articles of Association;
from the remaining amount of TL 267,512,482	
TL 26,751,248	which is 10% of pretax profit, be distributed to shareholders as first dividend, as per section 27/c of the Articles of Association,
from the remaining amount of TL 240,761,234	
TL 3,378,675	for distribution to the personnel, as per section 27/f of the Articles of Association,
from the remaining amount of TL 237,382,559	
a total of TL 33,248,752	be set aside for second dividend, as per section 27/g of the Articles of Association
from the remaining amount of TL 204,133,807	
TL 3,037,868	be set aside as statutory reserves as per Article 519/2 (c) of the Turkish Commercial Code
the entirety of the remaining amount of TL 201,095,939	be transferred to legal reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 28 March 2019. We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2018.

BOARD OF DIRECTORS

RISKS AND ASSESSMENT OF THE GOVERNING BODY

RISK MANAGEMENT PRACTICES

Given the risk-focused nature of insurance business, insurance and reinsurance companies establish risk management systems and processes, and systematically monitor risk exposure, as part of their primary activities. Therefore, our Company has been implementing risk management techniques for many years; development of these techniques has gained even greater importance due to the adverse developments in the Turkish and global financial markets during the recent years, as well as the disasters that have occurred.

The aim of the risk management system is to define the risks arising from Company's activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary measures and to do the necessary reporting to related authorities, as well as to protect Milli Re's reputation and to ensure that liabilities to insurance companies are fulfilled completely and in a timely manner.

The function of the Risk Committee, established to determine risk management strategies and policies that the Company will follow and submit them to the Board of Directors for approval, is to evaluate the risk management activities of the Internal Control and Risk Management Department in accordance with the related procedures and to monitor the implementations in respect of risk management function throughout the Company.

The "Risk Catalogue", which aims to form a common terminology within the Company and in which possible risks are classified and defined by examples, is updated in accordance with changing conditions and approved by the Board of Directors. Moreover, the measurement methods of the risks that the Company is/may be exposed to, risk tolerance, duties and responsibilities related to risk measurement, risk limits, determination methods of these limits, action plans in case of limit violations, authorizations and responsibilities related to limits, and situations that necessitate approval and confirmation are detailed in the "Application Principles in Respect of Risk Limits", which is approved by the Board of Directors and updated in accordance with changing conditions.

The risk management duties and responsibilities of the Internal Control and Risk Management Department are as follows:

- To determine, define, measure, monitor and control risks,
- To determine the risk management policies predicated on risk management strategies and to submit them to the Risk Committee,
- To declare risk management principles, procedures and policies throughout the Company,
- To provide the implementation of risk management policies and compliance with them,
- To develop risk management techniques and methods, to ensure that risks are within determined limits and to monitor limit violations, if any,
- To carry out reporting and announcement activities in respect of risk management,
- To follow-up developments in respect of capital adequacy applications prominent in international markets and conduct studies in this regard.

Basic Risks and Measurement Methods

Risks that the Company is and/or may be exposed to are classified under two headings: financial and non-financial risks. Definitions of basic risks and their assessment methods are stated below.

Financial Risks

Underwriting Risk

This risk arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities.

When measuring underwriting risk, assessment of compliance with predetermined underwriting limits and principles and compliance of Company's retention and reinsurance protection limits with the criteria set out in the "Application Principles in Respect of Risk Limits" is conducted.

Company's capital structure, market conditions, underwriting limits in respect of the lines of business which will be subject to retrocession contracts, risk profiles, loss experience, accumulation that may occur in the event of a catastrophe risk, regional event limits, and modelled loss amounts, if applicable, are taken into consideration during arrangement of retrocession contracts which are prepared in order to cover the liabilities arising from underwritten business.

RISK MANAGEMENT PRACTICES

Credit Risk

This risk expresses the probability of loss arising from the full or partial default of the counterparties (security issuers, insurance/reinsurance companies, other debtors) with which the Company has a business relationship.

Credit risk is measured by both quantitative and qualitative methods. The key criteria in the selection of reinsurers, participating in the retrocession contracts arranged for covering Company's liabilities arising from business acceptances in various lines of business, is the credit ratings of reinsurers. On the other hand, the payment performances and financial conditions of counterparties are also taken into account.

In order to assess the concentration risk arising from the transfer of the risk to one or several specific reinsurers, premiums ceded to reinsurers are taken into consideration based on whether reinsurers are licensed in Turkey or not, whether they are on the list of companies or groups formed by the Ministry of Treasury and Finance according to financial and technical adequacy criteria. Premium transfers that exceed the limits stated by the Ministry of Treasury and Finance are considered as concentration, and are included in the capital adequacy calculation by being multiplied by risk factors defined by the said authority.

Moreover, doubtful receivables, distribution of the Company's investment portfolio in terms of counterparties, and the ratings of bond issuers of private bonds that are in the portfolio, are monitored quarterly in accordance with the principles defined in Company's Investment Policy.

Asset-Liability Management Risk

This risk expresses the potential loss that may arise from the inefficient and inaccurate management of Company assets without considering the characteristics of the Company's liabilities and optimizing the risk-return balance.

This risk, which is measured by quantitative methods, includes all other financial risks of the Company with the exception of underwriting and credit risk. The components of the risk are described below:

a) Market Risk

This risk expresses the probability of loss because of the interest rate risk, rate of exchange risk and equity position risk occurring in the financial position of the Company due to the interest, rate of exchange, equity, commodity and option price changes arising from the volatilities in financial markets.

When determining market risk exposure of the Company, Value at Risk (VaR) method, which measures the maximum loss that may occur at a definite confidence level in value of investment portfolio held for a definite time period, due to volatilities in risk factors is used. VaR is calculated by using the "Historical Simulation Method" where different scenarios are created by taking into consideration the historical data. Calculations are based on 250 working days, 99% confidence level and 1 day holding period.

In addition to the daily calculated VaR, following tests are applied:

- Backtesting
- Stress Tests
- Scenario Analysis

These tests are used to support the VaR method in calculating the loss in portfolio value due to unexpected and extraordinary circumstances and intend to test the accuracy of the measurement results and monitor the sensitivity of the portfolio to changes in the basic risk factors by creating different scenarios.

Market risk limits are set out in "Application Principles in Respect of Risk Limits", while limits and application principles in respect of investment portfolio are set out in "Derivatives Policy", "Macro Asset Investment Policy", "Investment Policy" and "Alternative Investment Plan" of the relevant year. Mentioned limits are checked regularly.

b) Structural Interest Rate Risk

This risk expresses the negative impact on balance sheet assets and liabilities which are not subject to trading, due to possible changes in interest rates.

Receivables from reinsurance operations and payables arising from reinsurance operations are discounted by using LIBOR rates in respect of related currencies and maturities and these figures go into the financial statements, accordingly they are subject to structural interest rate risk. Upward and downward shocks are applied to LIBOR rates that are used in discounting process every three months and possible changes in values of receivables and payables are calculated.

c) Liquidity Risk

This risk denotes the imbalance between the Company's cash outflows and inflows in terms of maturity and volume.

This risk is measured using quantitative methods, and any liquidity deficit is observed via maturity analysis of assets and liabilities in the balance sheet. Moreover, level of liquid assets covering liabilities is monitored by using the liquidity ratio and assessed within the defined limit.

d) Capital Investment Risk

This risk expresses the loss that may arise in the value of capital investments or dividend income due to general market conditions and/or to the problems in managerial or financial structure of the invested companies.

Market values of the equities followed-up under financial assets held for trading account and under available-for-sale financial assets and subsidiaries accounts are evaluated on the basis of Borsa İstanbul (BİST) data. Decisions of capital investments in capital market instruments which are unquoted are subject to the approval of the Board of Directors.

e) Real Estate Investment Risk

This risk expresses the negative impact on assets which are sensitive to real estate prices, due to adverse movements or excessive volatilities in real estate prices or the sale of the real estates under actual value.

Real Estate Investment Risk is monitored in accordance with valuation reports which are to be prepared in accordance with the related provisions of the legislation and taking into consideration the Company's requirements and investment policies. Besides, by applying a defined downward stress on the expertise values, loss amount that may arise in the value of real estates and shareholders' equity is monitored.

Non-Financial Risks

Operational Environment Risk

This risk is defined as the risk of negative impact of external factors (political, economic, demographic etc.) of the Company's operating environment, on the operational ability of the Company.

Qualitative methods are used to measure this risk. The underwriting portfolio is monitored on country basis to see if there are any business acceptances from countries that are defined as "unapproved" due to political or economic conditions and also credit ratings of countries, generating the highest share of estimated premium income in respect of developing market acceptances are analysed.

Strategy Risk

This risk arises due to the inefficient managerial and organizational structure of the Company, inability of the management to develop effective strategies or non-disclosure and/or lack of implementation of these strategies, erroneous business decisions, and improper application of decisions or noncompliance with the changing market dynamics.

Qualitative methods are used to measure the level of this risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Model Risk

This risk expresses the probability of loss that may occur if the models that the Company uses within risk measurement processes are inappropriately designed or not properly implemented.

In measurement and assessment process of Model Risk, "Questionnaire" and/or "Interview" methods are used on the basis of "Self-Assessment Methodology", to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

RISK MANAGEMENT PRACTICES

Operational Risk

This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, changes in management or processes, inaccurate internal/external reporting or external factors occurring while Company conducts its vital functions necessary for the continuation of business, and inability to secure low cost and high efficiency as a result of business interruption due to disasters.

Qualitative and quantitative methods are used together in measuring the operational risk. Factor Based Standard Approach, which is developed under Solvency II framework, is applied as a quantitative method. In this method, the required capital for operational risks is calculated by multiplying gross technical provisions and gross earned premiums by the factors in respect of the relevant lines of business.

"Self-Assessment Methodology", which allows determination of the risks related to activities conducted with the involvement of staff performing such activities, is applied as a qualitative method for operational risk. The level of the operational risk that the Company is exposed to is subsequently classified as "High", "Acceptable" or "Low" depending on the result of the assessments.

Reputation Risk

This risk can be defined as the probable loss due to loss of confidence of the Company or damage to the "Company Reputation" resulting from failures in operations or noncompliance with current regulations.

Qualitative methods are used to measure the level of the risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability levels of the risk as "High", "Acceptable" or "Low".

Information Technologies Risk

This risk expresses the probable losses arising in Information Technology (IT) processes, assets and resources that constitute the entire hardware, applications and communication channels used in operations, due to internal and external problems occurring in operations and processes such as strategy management, cost management, human resources management, risk management, incident and problem management, information security, back up process, procurement process, supplier selection and assessment, user identification and access management, critical resources management, data security, integrity and availability, acquisition and modification of software and hardware, test and version management, service quality and continuity, business continuity, disaster and configuration management, environmental and physical factors management.

Risks related to Company's information technologies are measured and assessed based on Control Objectives for Information and Related Technologies (COBIT), which is an international framework for IT management, as well as other internationally accepted practices, in accordance with the provisions stated in Information Technology Risk Management Application Principles.

On the other hand, Disaster Management process, defined with the purpose of governing and monitoring sub-risks in relation to Business Continuity and IT Continuity, is carried out in accordance with the provisions of related legislation. An internal training is organised and a test study is performed annually within the context of Disaster Management. In this regard, for business processes and information systems a test study was performed in Disaster Office on 8th December, 2018, providing connections through the Company's servers located in Disaster Centre located outside of Istanbul. According to the results of this study which was performed by displaying and entering the data, it was confirmed that IT resources related to critical processes and data stored in these resources were accessible in conformity with recovery point objectives.

All findings obtained as a result of measurement of the above mentioned risks, analyses and assessments in respect of these findings are regularly reported by Internal Control and Risk Management Department to General Manager, Risk Committee and Board of Directors, as well as to Subsidiaries Division of İşbank.

If the impact and probability levels of the risks are found "High", the Board of Directors determines an action plan regarding the necessary actions.

ASSESSMENT OF CAPITAL ADEQUACY

The Company's capital adequacy is measured according to the provisions of "Regulation in Respect of Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies", which was published by the Ministry of Treasury and Finance and assessments regarding the results are submitted to Risk Committee, Board of Directors and Directorate of Subsidiaries of İşbank via the "Risk Assessment Report".

The factor-based method, used according to the aforementioned regulation, determines the amount of capital required for each type of risk, and thus allows the calculation of the total required capital.

TRANSACTIONS CARRIED OUT WITH MILLI RE'S RISK GROUP

Being a member of İşbank group, Milli Re carries out its relations with its risk group on an arm's length basis.

Relations with group companies are concentrated mostly in reinsurance, banking, portfolio management, information technologies services and risk management.

Risk management activities are carried out in compliance with Consolidated Risk Policies of the risk group. Possible risks and findings obtained as a result of measurement are regularly monitored through reporting systems set up within the group.

Detailed information on the Company's transactions with its risk group is presented in the notes to the Financial Statements.

THE ANNUAL REPORTS OF THE PARENT COMPANY IN THE GROUP OF COMPANIES

a- The Parent Company Milli Re holds shares representing 57.31% of the capital of Anadolu Anonim Türk Sigorta Şirketi directly, and 1% and 20% of the capital of Anadolu Hayat ve Emeklilik A.Ş. directly and indirectly, respectively.

b- Enterprises that belong to the Group that holds shares in the capital of the Parent Company, Milli Re are listed as below:

Shareholder: Trakya Yatırım Holding A.Ş.

Shares in the Capital: 0.083135

Shareholder: Kültür Yayınları İş Türk A.Ş.

Shares in the Capital: 0.023618

c- The Company's Consolidated and Unconsolidated Internal Audit and Risk Management Policies are formulated within the frame of the relevant consolidated policies of the group of companies to which the Company is affiliated, and covers the Company's subsidiaries subject to consolidation on a line-by-line basis. These are based on the operating principles of Türkiye İş Bankası A.Ş.

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE UNCONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2018

(Convenience translation of independent auditors' report and unconsolidated financial statements originally issued in Turkish)

(Convenience translation of a report and unconsolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

We have audited the unconsolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated statement of income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Estimates and assumptions used in calculation of insurance contract liabilities	
As of December 31, 2018, the Company has insurance liabilities of TL 1.842.662.679 representing 49% of the Company's total liabilities. The Company made net provision of TL 1.159.082.038 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net negative amount of TL 174.500.673) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review the incurred case files which selected randomly; have performed the audit procedures related to the completeness of the data used in the correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the financial statements are sufficient.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Company recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2018, fair value amount of the investment properties and properties for own use disclosed in the unconsolidated financial statements amounts to TL 392.041.000 and TL 179.340.000 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 unconsolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated 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.
- Obtain an understanding of 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's 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 unconsolidated 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 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 unconsolidated 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) Report on Other Legal and Regulatory Requirements

In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

February 28, 2019
İstanbul, Türkiye

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE UNCONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2018

We confirm that the unconsolidated financial statements and related disclosures and footnotes as of December 31, 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,

February 28, 2019

Ertan TAN	Şule SOYLU	Özlem CİVAN	Hasan Hulki YALÇIN
Actuary Registration No: 21	Assistant General Manager	Assistant General Manager	General Manager

CONTENTS

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

ASSETS			
I- Current Assets	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
A- Cash and Cash Equivalents	4.2,14	1.742.214.225	1.223.132.413
1- Cash	4.2,14	19.945	5.842
2- Cheques Received		-	-
3- Banks	4.2,14	1.742.194.280	1.223.126.571
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	159.988.747	451.080.848
1- Financial Assets Available for Sale	11	166.943.287	458.035.388
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	12	300.658.813	176.061.654
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	12	173.721.335	113.058.283
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	126.937.478	63.003.371
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	-	7.385
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	-	(7.385)
D- 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- 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	4.2,12	1.696.048	1.231.493
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	356.092	288.736
4- Other Receivables	4.2,12	1.339.956	942.757
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	12	409.363	53.177
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(409.363)	(53.177)
F- Prepaid Expenses and Income Accruals		157.050.701	125.842.706
1- Deferred Commission Expenses	17	147.058.200	114.233.617
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	9.222.719	11.284.419
4- Other Prepaid Expenses		769.782	324.670
G- Other Current Assets		1.251.722	989.723
1- Inventories		110.589	51.215
2- Prepaid Taxes and Funds	12, 19	-	-
3- Deferred Tax Assets		-	-
4- Job Advances	4.2,12	166.660	54.000
5- Advances Given to Personnel	4.2,12	-	466.665
6- Stock Count Differences		-	-
7- Other Current Assets		974.473	417.843
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		2.362.860.256	1.978.338.837

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

ASSETS			
II- Non-Current Assets	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 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	4.2,12	25.352.034	17.966.058
10-Provision for Doubtful Receivables from Main Operations	4.2,12	(25.352.034)	(17.966.058)
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	9	768.947.999	663.651.785
1- Investments In Associates		-	-
2- Affiliates	9	118.255.503	116.391.717
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	650.692.496	547.260.068
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 (-)		-	-
E- Tangible Fixed Assets	6	573.877.977	515.627.790
1- Investment Properties	6,7	392.041.000	365.981.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Building for own use	6	179.340.000	147.915.000
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	6.065.122	5.695.006
6- Vehicles	6	2.270.724	1.604.238
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Leased Tangible Fixed Assets		-	-
9- Accumulated Depreciation (-)	6	(5.838.869)	(5.567.454)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	32.355.257	21.834.988
1- Rights	8	8.428.284	6.029.231
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(6.176.494)	(4.242.018)
8- Advances Regarding Intangible Assets	8	30.103.467	20.047.775
G- Prepaid Expenses and Income Accruals		200.497	51.066
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		200.497	51.066
H- Other Non-current Assets		-	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		1.375.381.730	1.201.165.629
TOTAL ASSETS		3.738.241.986	3.179.504.466

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations	19	63.770.093	36.392.472
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	19	63.195.552	35.718.777
3- Cash Deposited by Insurance & Reinsurance Companies	19	574.541	673.695
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	19	109.359	106.310
1- Due to Shareholders	45	97.467	81.850
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	11.892	24.460
D- Other Payables	19	2.054.267	3.032.087
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables	19,4.2	2.054.267	3.032.087
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	1.741.675.129	1.390.078.067
1- Unearned Premiums Reserve - Net	17	579.216.291	453.202.210
2- Unexpired Risk Reserves - Net	17	3.303.005	5.834.053
3- Mathematical Reserves - Net	17	73.795	116.109
4- Outstanding Claims Reserve - Net	17	1.159.082.038	930.925.695
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	5.707.038	8.574.495
1- Taxes and Dues Payable	19	2.335.582	1.317.814
2- Social Security Premiums Payable	19	163.021	148.338
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	27.682.983	44.131.400
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(24.474.548)	(37.023.057)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19	6.796.679	5.781.650
1- Deferred Commission Income	10,19	758.494	614.358
2- Expense Accruals	19	5.802.394	4.921.575
3- Other Deferred Income	19	235.791	245.717
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		1.820.112.565	1.443.965.081

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 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	17	100.987.550	70.933.229
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	100.987.550	70.933.229
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	23	53.961.104	47.628.666
1- Provision for Employment Termination Benefits	23	9.224.292	8.293.551
2- Provisions for Employee Pension Fund Deficits	22,23	44.736.812	39.335.115
H- Deferred Income and Expense Accruals	19	32.500	110.500
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	32.500	110.500
I- Other Long Term Liabilities	21	26.848.005	29.799.122
1- Deferred Tax Liability	21	26.848.005	29.799.122
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		181.829.159	148.471.517

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 “Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

EQUITY			
V- Equity	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**144.260.425**	**129.183.342**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.245.511	23.723.323
4- Translation Reserves	15	(43.734.932)	(28.441.170)
5- Other Capital Reserves	15	163.749.846	133.901.189
C- Profit Reserves		**415.359.698**	**376.873.982**
1- Legal Reserves	15	123.041.466	104.684.305
2- Statutory Reserves	15	23.673.660	14.966.866
3- Extraordinary Reserves	15	284.629.561	179.927.411
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	(38.392.931)	52.911.798
6- Other Profit Reserves	15	22.407.942	24.383.602
D- Previous Years' Profits		**238.466.727**	**217.988.199**
1- Previous Years' Profits		238.466.727	217.988.199
E- Previous Years' Losses (-)		**-**	**-**
1- Previous Years' Losses			-
F- Net Profit of the Period	**15**	**278.213.412**	**203.022.345**
1- Net Profit of the Period		278.213.412	203.022.345
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		**1.736.300.262**	**1.587.067.868**
Total Liabilities and Shareholders' Equity		**3.738.241.986**	**3.179.504.466**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

I-TECHNICAL SECTION	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
A- Non-Life Technical Income		1.504.350.816	1.063.774.256
1- Earned Premiums (Net of Reinsurer Share)		1.015.961.002	854.917.654
1.1 - Written Premiums (Net of Reinsurer Share)	17	1.136.728.102	941.218.642
1.1.1 - Gross Written Premiums (+)	17	1.299.862.846	1.069.783.386
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(163.134.744)	(128.564.744)
1.1.3 - Ceded Premiums to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(123.298.148)	(83.752.260)
1.2.1 - Unearned Premiums Reserve (-)	17	(134.980.956)	(84.243.905)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	11.682.808	491.645
1.2.3 - SSI of Unearned Premiums Reserve (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	2.531.048	(2.548.728)
1.3.1 - Unexpired Risks Reserve (-)	29	2.720.045	(2.939.350)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	29	(188.997)	390.622
2- Investment Income Transferred from Non-Technical Part		338.043.300	156.592.562
3- Other Technical Income (Net of Reinsurer Share)		150.346.514	52.264.040
3.1 - Gross Other Technical Income (+)		150.330.727	52.260.130
3.2 - Reinsurance Share of Other Technical Income (-)		15.787	3.910
4- Accrued Subrogation and Salvage Income (+)		-	-
B- Non-Life Technical Expense (-)		(1.409.129.382)	(999.638.658)
1- Total Claims (Net of Reinsurer Share)		(953.879.013)	(647.434.998)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(725.361.560)	(578.676.529)
1.1.1 - Gross Claims Paid (-)	17	(759.354.911)	(600.996.193)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	33.993.351	22.319.664
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(228.517.453)	(68.758.469)
1.2.1 - Outstanding Claims Reserve (-)	17	(229.099.909)	(74.971.893)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	582.456	6.213.424
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 Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(29.825.822)	(25.544.414)
4- Operating Expenses (-)	32	(425.424.547)	(326.659.246)
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 (-)		-	-
6.1.- Gross Other Technical Expenses (-)		-	-
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		95.221.434	64.135.598
D- Life Technical Income		18.813.060	18.732.233
1- Earned Premiums (Net of Reinsurer Share)		15.537.709	16.242.726
1.1 - Written Premiums (Net of Reinsurer Share)	17	18.253.642	14.582.105
1.1.1 - Gross Written Premiums (+)	17	20.314.687	15.929.503
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(2.061.045)	(1.347.398)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(2.715.933)	1.660.621
1.2.1- Unearned Premium Reserves (-)	17	(2.909.016)	1.610.673
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	193.083	49.948
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		3.194.833	2.393.978
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		80.518	95.529
4.1- Gross Other Technical Income (+/-)		89.933	99.116
4.2- Reinsurance Share of Other Technical Income (+/-)		(9.415)	(3.587)
5- Accrued Subrogation and Salvage Income (+)		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

I-TECHNICAL SECTION	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
E- Life Technical Expense		(13.374.290)	(19.687.047)
1- Total Claims (Net of Reinsurer Share)		(5.607.798)	(14.784.249)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(5.968.908)	(14.424.544)
1.1.1- Gross Claims Paid (-)	17	(6.619.434)	(15.010.303)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	650.526	585.759
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	361.110	(359.705)
1.2.1 - Outstanding Claims Reserve (-)	17	(126.553)	(922.579)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	487.663	562.874
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) (+/-)	29	42.314	49.048
3.1- Mathematical Reserves (-)	29	42.314	49.048
3.1.1- Actuarial Mathematical Reserve (-)	29	42.314	49.048
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
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) (+/-)	29	(228.499)	(178.889)
5- Operating Expenses (-)	32	(7.580.307)	(4.772.957)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		5.438.770	(954.814)
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)		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

II-NON-TECHNICAL SECTION	Note	Audited Current Period December 31, 2018	Audited -Restated(*) Prior Period December 31, 2017
C- Non Life Technical Profit (A-B)		**95.221.434**	**64.135.598**
F- Life Technical Profit (D-E)		**5.438.770**	**(954.814)**
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		**100.660.204**	**63.180.784**
K- Investment Income		**644.537.098**	**378.157.716**
1- Income From Financial Investment	4.2	214.039.085	137.801.432
2- Income from Sales of Financial Investments	4.2	50.373.242	22.820.237
3- Revaluation of Financial Investments	4.2	7.026.454	1.328.966
4- Foreign Exchange Gains	4.2	139.716.863	41.419.317
5- Income from Affiliates		31.731.033	28.233.340
6- Income from Subsidiaries and Joint Ventures	4.2	157.046.405	89.674.722
7- Income Received from Land and Building	7	44.371.016	56.622.702
8- Income from Derivatives	4.2	-	-
9- Other Investments		233.000	257.000
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		**(425.812.893)**	**(192.041.506)**
1- Investment Management Expenses (including interest) (-)	4.2	(511.981)	(846.635)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)	4.2	(11.907.041)	(996.561)
4- Investment Income Transferred to Non-Life Technical Part (-)		(338.043.300)	(156.592.562)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4.2	(57.759.377)	(21.942.845)
7- Depreciation Expenses (-)	6,8	(2.297.422)	(2.007.230)
8- Other Investment Expenses (-)		(15.293.772)	(9.655.673)
M- Other Income and Expenses (+/-)		**(13.488.014)**	**(2.143.249)**
1- Provisions Account (+/-)	47	(13.191.358)	(11.519.265)
2- Discount account (+/-)	47	(727.787)	(271.769)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts (+/-)	21,35	1.814.922	9.420.780
6- Deferred Tax Expense Accounts (-)	21,35	-	-
7- Other Income and Revenues		379.572	499.542
8- Other Expense and Losses (-)		(1.763.363)	(272.537)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/ (Loss)		**278.213.412**	**203.022.345**
1- Profit/(Loss) Before Tax		305.896.395	247.153.745
2- Corporate Tax Liability Provision (-)		(27.682.983)	(44.131.400)
3- Net Profit (Loss)		278.213.412	203.022.345
4- Inflation Adjustment Account		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 “Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Audited - Restated Changes in Equity(*) - December 31, 2017

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2016		660.000.000	-	189.009.992	-
II - Change in Accounting Standards(*)		-	-	(157.651.862)	-
III - Restated balances (I+II) - January 1, 2017		660.000.000	-	31.358.130	-
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets	15	-	-	21.553.668	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings	38	-	-	-	-
J- Dividends paid		-	-	-	-
IV - Balance at the end of the period - December 31, 2017	15	660.000.000	-	52.911.798	-

Audited Changes in Equity - December 31, 2018

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2017		660.000.000	-	565.916.100	-
II - Change in Accounting Standards(*)		-	-	(513.004.302)	-
III - Restated balances (I+II) - January 1, 2018		660.000.000	-	52.911.798	-
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets	15	-	-	(91.304.729)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings	38	-	-	-	-
J- Dividends paid	38	-	-	-	-
IV - Balance at the end of the period - December 31, 2018	15	660.000.000	-	(38.392.931)	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
(26.027.092)	55.535.403	-	161.806.553	129.243.232	166.338.531	1.335.906.619
-	34.833.418	10.220.993	109.452.684	74.368.108	16.846.265	88.069.606
(26.027.092)	90.368.821	10.220.993	271.259.237	203.611.340	183.184.796	1.423.976.225
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5.719.868	4.745.873	20.028.672	(59.329.201)	19.764.496	(9.070.292)
-	-	-	-	-	-	21.553.668
(2.414.078)	-	-	-	-	-	(2.414.078)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	203.022.345	-	203.022.345
-	8.595.616	-	70.647.616	(94.282.139)	15.038.907	-
-	-	-	-	(50.000.000)	-	(50.000.000)
(28.441.170)	104.684.305	14.966.866	361.935.525	203.022.345	217.988.199	1.587.067.868

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
(28.441.170)	64.131.019	-	225.607.943	103.711.833	250.643.385	1.841.569.110
-	40.553.286	14.966.866	136.327.582	99.310.512	(32.655.186)	(254.501.242)
(28.441.170)	104.684.305	14.966.866	361.935.525	203.022.345	217.988.199	1.587.067.868
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	11.065.714	8.706.794	86.676.949	(99.310.512)	20.478.528	27.617.473
-	-	-	-	-	-	(91.304.729)
(15.293.762)	-	-	-	-	-	(15.293.762)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	278.213.412	-	278.213.412
-	7.291.447	-	46.420.386	(53.711.833)	-	-
-	-	-	-	(50.000.000)	-	(50.000.000)
(43.734.932)	123.041.466	23.673.660	495.032.860	278.213.412	238.466.727	1.736.300.262

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	Note	Audited Current Period 1 January-December 31, 2018	Audited Prior Period 1 January-December 31, 2017
A - Cash flows from operating activities			
1- Cash provided from insurance activities		-	-
2- Cash provided from reinsurance activities		1.534.690.612	1.161.113.986
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		-	-
5- Cash used in reinsurance activities		(1.521.680.097)	(1.116.616.835)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		**13.010.515**	**44.497.151**
8- Interest paid		-	-
9- Income taxes paid		(33.082.800)	(37.023.057)
10- Other cash inflows		39.750.251	41.122.733
11- Other cash outflows		(68.167.721)	(34.383.296)
12-Net cash provided by operating activities		**(48.489.755)**	**14.213.531**
B - Cash flows from investing activities		-	-
1- Proceeds from disposal of tangible assets		140.790	211.000
2- Acquisition of tangible assets	6, 8	(13.813.514)	(9.025.268)
3- Acquisition of financial assets	11	(1.085.165.474)	(486.980.571)
4- Proceeds from disposal of financial assets	11	1.373.823.061	442.910.376
5- Interests received		224.260.372	196.048.205
6- Dividends received		38.003.576	20.276.206
7- Other cash inflows		165.410.375	56.395.233
8- Other cash outflows		(447.186.124)	(34.833.981)
9- Net cash provided by investing activities		**255.473.062**	**185.001.200**
C- Cash flows from financing activities		-	-
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	-
4- Dividends paid	2.23	(49.984.383)	(49.984.383)
5- Other cash inflows		-	-
6- Other cash outflows		-	-
7- Net cash used in financing activities		**(49.984.383)**	**(49.984.383)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**(2.028)**	**(1.551)**
E- Net increase in cash and cash equivalents		**156.996.896**	**149.228.797**
F- Cash and cash equivalents at the beginning of the year	14	1.163.291.557	1.014.062.760
G- Cash and cash equivalents at the end of the year	**14**	**1.320.288.453**	**1.163.291.557**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	Note	Audited Current Period December 31, 2018(*)	Audited Prior Period December 31, 2017(*)
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT(*)		309.275.069	150.503.442
1.2. TAX AND FUNDS PAYABLE	35	(27.682.983)	(44.131.400)
1.2.1. Corporate Income Tax (Income Tax)	35	(27.682.983)	(44.131.400)
1.2.2. Income tax deduction			-
1.2.3. Other taxes and Duties			-
A NET PROFIT (1.1 - 1.2)		281.592.086	106.372.042
1.3. PREVIOUS PERIOD LOSSES (-)			
1.4. FIRST LEGAL RESERVE		(14.079.604)	(5.318.602)
1.5. STATUTORY FUND (-)			-
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		267.512.482	101.053.440
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(10.105.344)
1.6.1. Holders of shares		-	(10.105.344)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profıt and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	(2.728.443)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(39.894.656)
1.9.1. Holders of shares		-	(39.894.656)
1.9.2. Holders of Preferred shares		-	-
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profıt and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	(1.972.844)
1.11. STATUTORY RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(46.352.153)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2 Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4 Holders of Participation Bond		-	-
2.3.5 Holders of Profıt and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. HOLDERS OF SHARES		-	106.372.042
3.2. HOLDERS OF SHARES (%)		-	16,1170
3.3. HOLDERS OF PREFERRED SHARES		-	-
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. HOLDERS OF SHARES		-	50.000.000
4.2. HOLDERS OF SHARES (%)		-	7,5758
4.3. HOLDERS OF PREFERRED SHARES		-	-
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2018 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) Reserve for personnel dividend amounting to TL 3.378.675 that recognized according to TAS 19 is included in period profit as of December 31, 2018.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

1 General information

1.1 Name of the Company and the ultimate owner of the group

The shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi ("the Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

The Company was established in February 26, 1929 and has been operating since in July 19, 1929.

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 was registered in Turkey in July 16, 1929 and has the status of 'Incorporated Company'. The address of the Company's registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Main operations of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

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

The Company conducts its operations in accordance with the Insurance Law No. 5684 ("the Insurance Law") issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Ministry of Treasury and Finance based on the Insurance Law.

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows:

- Providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- Managing and participating in reinsurance operations of Pools,
- Purchasing, selling, constructing and renting real estates,
- Purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

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

The average number of the personnel during the year in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Top executive	5	6
Managers	32	33
Officers	130	130
Contracted personnel	6	6
Other personnel	39	41
Total	212	216

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2018, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 6.698.944 (December 31, 2017: TL 5.910.690).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by Republic of Turkey Ministry of Treasury and Finance.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Republic of Turkey Ministry of Treasury and Finance or by the Company itself. In accordance with the approval of the Undersecretariat of Republic of Turkey Ministry of Treasury and Finance, dated March 6, 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income is distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", net cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - Consolidation, the Company has prepared consolidated financial statements as of December 31, 2018 separately.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company:	www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

The financial statements for the period January 1 - December 31, 2018 have been approved by the Board of Directors on 28 February 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1. Information about the principles and the specific accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by Republic of Turkey Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the The Individual (Personal) Pension Savings and Investment System Law numbered 4632.

According to numbered 4th related law Accounting for subsidiaries, associates, joint ventures, consolidated financial statements, financial statements which disclosed public regulated by Republic of Turkey Ministry of Treasury and Finance.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Company prepares its financial statements are regulated in form and content in order to compare the financial statements of prior period and with other companies according to"Communiqué on Presentation of Financial Statements " which is published in the Official Gazette dated April 18, 2008 and numbered 26851.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 - *Financial Reporting in Hyperinflationary Economies*" as at December 31, 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

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

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2017 and nine-month results as at and for the period ended September 30, 2018 and accordingly related balance sheet balances as of December 31, 2018 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in *"Note 2.1.1 - Information about the principles and the specific accounting policies used in the preparation of the financial statements"* and each under its own caption in the following sections of this report.

2.1.3 Current and presentation currency

The accompanying unconsolidated financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets held for trading, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Turkish Treasury to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2018, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1 - December 31, 2018. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Changes in accounting policies or accounting errors are applied retrospectively and prior year financial statements are adjusted accordingly. If estimated changes in accounting policies are only for one period, changes are applied on the current year but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 - *Significant accounting estimates and requirements*.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The company has demonstrated impacts of amendments, related to communique numbered 2017/07, published by Ministry of Treasury and Finance of Republic of Turkey- General Directorate of Insurance and retrospective impacts of amendments, which are made through using equity method, defined in TAS 27 "Consolidated and Separate Financial Statements":

Restatement of the detailed balance sheet as of December 31, 2017:

Detailed Balance Sheet	Previously Reported	Restated	Effect	(*)
	December 31, 2017	December 31, 2017		
B- Financial Assets and Investments with Risks on Policy Holders	**485.566.843**	**451.080.848**	**(34.485.995)**	**B**
1- Financial Assets Available for Sale	492.521.383	458.035.388	(34.485.995)	B
I- Total Current Assets	**2.012.824.832**	**1.978.338.837**	**(34.485.995)**	**B**
D- Financial Assets	**883.667.032**	**663.651.785**	**(220.015.247)**	**B**
2- Affiliates	-	116.391.717	116.391.717	B
4- Subsidiaries	883.667.032	547.260.068	(336.406.964)	B
II- Total Non-current Assets	**1.421.180.876**	**1.201.165.629**	**(220.015.247)**	**B**
Total Assets	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**	**B**
B- Capital Reserves	**112.341.037**	**129.183.342**	**16.842.305**	**B**
5- Other Capital Reserves	117.058.884	133.901.189	16.842.305	B
C- Profit Reserves	**714.872.855**	**376.873.982**	**(337.998.873)**	**B**
1- Legal Reserves	64.131.019	104.684.305	40.553.286	B
2- Statutory Reserves	-	14.966.866	14.966.866	B
3- Extraordinary Reserves	86.192.951	179.927.411	93.734.460	B
5- Revaluation of Financial Assets	565.916.100	52.911.798	(513.004.302)	B
6- Other Profit Reserves	(1.367.215)	24.383.602	25.750.817	B
D- Previous Years' Profits	**250.643.385**	**217.988.199**	**(32.655.186)**	**B**
1- Previous Years' Losses	250.643.385	217.988.199	(32.655.186)	B
F- Net Profit of the Period	**103.711.833**	**203.022.345**	**99.310.512**	**B**
1- Net Profit of the Period	103.711.833	203.022.345	99.310.512	B
Total Shareholders' Equity	**1.841.569.110**	**1.587.067.868**	**(254.501.242)**	**B**
Total Liabilities and Shareholders' Equity	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**	**B**

(*) The effects of the restatements are described in paragraphs A and B below.

Restatement of the detailed income statement as of January 1 to December 31, 2017

Detailed Income Statement	Previously Reported	Restated	Effects	(*)
	January 1 - December 31, 2017	January 1 - December 31, 2017		
K- Investment Income	**278.847.204**	**378.157.716**	**99.310.512**	**B**
1- Income From Financial Investment	139.201.432	137.801.432	(1.400.000)	B
5- Income from Affiliates	-	28.233.340	28.233.340	B
6- Income from Subsidiaries and Joint Ventures	17.197.550	89.674.722	72.477.172	B
N- Net Profit/ (Loss)	**103.711.833**	**203.022.345**	**99.310.512**	**B**
1- Profit/(Loss) Before Tax	147.843.233	247.153.745	99.310.512	B
3- Net Profit (Loss)	103.711.833	203.022.345	99.310.512	B

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Restatement of the detailed balance sheet as of January 01, 2017:

Detailed Balance Sheet	Previously Reported	Restated	Effects	(*)
	January 01, 2017	January 01, 2017		
B- Financial Assets and Investments with Risks on Policy Holders	379.491.869	358.120.872	(21.370.997)	B
1- Financial Assets Available for Sale	386.347.109	364.976.112	(21.370.997)	B
I- Total Current Assets	1.780.604.203	1.759.233.207	(21.370.996)	B
D- Financial Assets	551.268.910	567.098.842	15.829.932	B
2- Affiliates	-	107.983.889	107.983.889	B
4- Subsidiaries	551.268.910	459.114.953	(92.153.957)	B
II- Total Non-current Assets	1.041.875.459	1.057.705.391	15.829.932	B
Total Assets	2.822.479.662	2.816.938.598	(5.541.064)	B
III- Short-Term Liabilities	1.387.435.503	1.282.054.435	105.381.068	A
E- Insurance Technical Reserves	1.341.749.642	1.236.368.574	105.381.068	A
2- Unexpired Risk Reserves - Net	11.121.932	3.285.325	7.836.607	A
4- Outstanding Claims Reserve - Net	959.351.982	861.807.521	97.544.461	A
I- Other Long Term Liabilities	17.039.884	28.810.281	11.770.397	A-B
1- Deferred Tax Liability	17.039.884	28.810.281	11.770.397	A-B
IV- Total Long Term Liabilities	99.137.540	110.907.937	11.770.397	A-B
B- Capital Reserves	121.258.386	137.993.457	16.735.071	B
5- Other Capital Reserves	123.562.155	140.297.226	16.735.071	B
C- Profit Reserves	259.066.470	239.186.631	(19.879.839)	B
1- Legal Reserves	55.535.403	90.368.821	34.833.418	B
2- Statutory Reserves	-	10.220.993	10.220.993	B
3- Extraordinary Reserves	15.545.335	81.426.607	65.881.272	B
5- Revaluation of Financial Assets	189.009.992	31.358.130	(157.651.862)	B
6- Other Profit Reserves	(1.024.260)	25.812.080	26.836.340	B
D- Previous Years' Profits	166.338.531	183.184.796	16.846.265	A-B
1- Previous Years' Profits	166.338.531	183.184.796	16.846.265	A-B
F- Net Profit of the Period	129.243.232	203.611.340	74.368.108	A-B
1- Net Profit of the Period	129.243.232	203.602.690	74.359.458	A-B
3- Net Income not subject to distribution	-	8.650	8.650	B
Total Shareholders' Equity	1.335.906.619	1.423.976.225	88.069.606	A-B
Total Liabilities and Shareholders' Equity	2.822.479.662	2.816.938.598	(5.541.064)	A-B

(*) The effects of the restatements are described in paragraphs A and B below.

A. Effects of restatements according to the Circular 2017/7 announced by Republic of Turkey Ministry of Treasury and Finance are as follows

With the Circular 2017/7 announced by Republic of Turkey Ministry of Tresuary and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

B. "Impact of amendments regarding TAS 27 - "Consolidated and Separate Financial Statements"

The company recognizes its subsidiaries and affiliates through using equity method, defined in TAS 27 - "Consolidated and Separate Financial Statements", while preparing its non-consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.2 Consolidation

Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance in the Official Gazette dated December 31, 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from March 31, 2009.

In this framework, separate consolidated financial statements are issued through consolidating financial statements of Anadolu Hayat Emeklilik Anonim Şirketi (Anadolu Hayat), which is an affiliate, and Miltaş A.Ş, which is a subsidiary, according to equity method and financial statements of Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta), which is an affiliate, in line with full consolidation method.

The company recognizes its subsidiaries and affiliates through using equity method with respect to TAS 27 - "Consolidated and Separate Financial Statements" during the preparation of separate financial statements in line with "Sector Announcement regarding Recognition of Subsidiaries, Jointly Controlled Partnerships and Affiliates of Insurance and Reassurance and Pension Companies" dated August 12, 2008 and numbered 2008/36 of Ministry of Treasury and Finance of Republic of Turkey.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2018 the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

2.5 Tangible assets

Tangible assets of the Company except for buildings for own use are recorded at their historical costs that have been adjusted for the effects of inflation until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs restated for the effects of inflation until December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs after deducting any exchange rate differences and finance expenses less impairment losses if any.

The company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values following accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

Increase of revaluation results in the carrying value of use of land and building account in equity in the balance sheet under "Other Capital Account" as the net of tax effects. As a result of the evaluation of real estate an increase on the corresponding impairments are deducted from the fund; all other decrease are reflected the profit/loss account.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Land is not depreciated due to its indefinite life. Depreciation is allocated based on the useful life of tangible assets at cost or revalued amounts of tangible assets by using the straight-line method basis.

(Currency: Turkish Lira (TL))

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets at cost.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Building for own used	50	2,0
Machinery and equipment	3 - 15	6,7 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5	20,0

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

In the event of investment property of first registration is measured on fair value including transaction costs after measured at cost. The changes which result of fair value valuation recognised in the income statement.

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.

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.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassified as a tangible asset.

2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with the "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when 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 are amortized over their estimated useful lives (not exceeding three years).

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

Equity Shares which are classified as available-for-sale financial assets in an active market (stock exchange) are reflected to the consolidated financial statements with their fair values by taking into consideration the registered prices in the active market. Shares that are not traded in an active market are followed at acquisition costs and are shown in the consolidated financial statements at their cost value after the provision for impairment losses, if any.

Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. The Company prepares its individual financial statements and accounts for its investments in subsidiaries and associates using the equity method defined in 'TAS 27 - *Consolidated and Separate Financial Statements Standard*'.

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each balance sheet date, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "*TAS 36* - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2017: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As of December 31, 2018 and 2017, the share capital and ownership structure of the Company are as follows:

	December 31, 2018		December 31, 2017	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding amount (TL)
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	660.000.000	100,00	660.000.000	100,00

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption "written premiums".

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As of the reporting date, the Company does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits;

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

- *(1)* the performance of a specified pool of contracts or a specified type of contract;
- *(2)* realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
- *(3)* the profit or loss of the Company, Fund or other entity that issues the contract,

As of balance sheet date, the Company does not have any insurance or investment contracts that contain a discretionary participation feature.

2.16 Investment contracts with discretionary participation feature

As of the reporting date, the Company does not have any insurance contracts and investment contracts without discretionary participation feature.

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.18 Income taxes

Corporate Tax

Statutory income is subject to corporate tax at 20%.(However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on May 8, 2011. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) subclause of first sub articles of 4th article of related law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.80% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2018 is TL 5.434 (December 31, 2017: TL 4.732).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4,22%	4,25%
Expected rate of salary/limit increase	11,30%	6,00%
Estimated employee turnover rate	2,00%	2,00%

Expected rate of salary/limit increase above was determined according to the government's annual inflation forecasts.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset 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 Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as "written premiums, ceded" in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly payrolls.

Claims paid

Claims paid represent payments of the Company as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognised as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

Interest income and expenses

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Dividends

Dividend income is recognized when the Company's right to receive payment is ascertained.

2.22 Leasing transaction

As of the reporting date, there is no financial lease contract of the Company.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833, from 2017 activities of the Company, after the legal reserves are allocated and TL 49.984.383 has been paid in cash and TL 15.617 has been recognized in due to shareholders account under short term liabilities.

2.24 Unearned premium reserve

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the unearned premiums reserve represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

- Unearned premium reserve is calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Company: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for facultative and non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates unearned premiums reserve for ceded premium as retrocedant on the same basis.

Unearned premiums reserve is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

Since the Communiqué on Technical Reserves was effective from January 1, 2008, Republic of Turkey Ministry of Treasury and Finance issued July 4, 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after June 14, 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate unearned premiums reserve for the earthquake premiums written after June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

In previous years, the unearned premiums reserve had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before January 2008, on December 28, 2007 Republic of Turkey Ministry of Treasury and Finance issued "2007/25 Numbered Circular Related to the Calculation of the Unearned Premiums Reserve and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before January 1, 2008, but it should be calculated on gross basis for the policies produced after January 1, 2008.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; there is no change in the calculation of unearned premiums reserve for reinsurance companies.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.25 Outstanding claims reserve

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs.

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and July 28, 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of outstanding claims reserve. In these calculations salvage and subrogation income are not considered.

Except for the life branch, outstanding claims reserve consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.

December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" and 2010/12 numbered "Circular regarding actuarial chain ladder method"of Republic of Turkey Ministry of Treasury is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as "Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson".

The methods selected for each branch is provided in the following section. The Company has not perform big claim elimination by Box Plox method.

Branches	December 31, 2018	December 31, 2017
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain
General Liabilities	Standard Chain	Standard Chain
Land Vehicles Liabilities	Standard Chain	Standard Chain
Marine	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Sea Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Credit	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Life	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)

(*) Two separate calculation have been made as agriculture and non agriculture sub branches.

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated November 6, 2008, selections and results should be assess in detail in actuarial report by the actuary.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Company does not have sufficient data for ships, Air Vehicles Liability, Fidelity Guarantees, financial losses, credits and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

According to December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" of Republic of Turkey Ministry of Treasury and Finance, the Company constitutes data by taking base of acceptance year rather than Casualty period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Undersecretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Outstanding Claims Reserve" of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

With the Circular 2017/7 announced by Republic of Turkey Ministry of Tresuary and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 207.059.238 (December 31, 2017: TL 131.488.022 negative IBNR) as outstanding claims reserve. As of the reporting date, TL 32.558.565 TL (December 31, 2017: TL 13.602.239) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal Casualty insurance contracts. Actuarial mathematical reserves, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical reserves are recorded based on the data sent by ceding companies.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net -outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period -unearned premiums reserve, net at the end of the period).

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 28356 dated July 17, 2012; besides the net unexpired risk reserve detailed in the above, gross unexpired risk reserve is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the unearned premiums reserve of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

With the Circular 2017/7 announced by Republic of Turkey Ministry of Treasury and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

Net and gross unexpired risk reserves are calculated by multiplying the exceeding portion of the expected claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 95% for the year 2016, 90% for the year 2017 and 85% for the year 2018. The Company, as a reinsurance company, indicated that usage of Casualty year for the calculation is not possible and demanded the following particulars;

- Calculation of unexpired risk reserves on the basis of business year,
- Calculation of unexpired risk reserves once a year and using the portion calculated on previous year-end in the interim periods,
- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/ total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year. Republic of Turkey Ministry of Treasury and Finance has accepted the demand of the Company as appropriate with the letter dated December 31, 2016 and numbered 38681552-306.99-E.36992 As of the reporting date, the Company has provided net unexpired risk reserves amounting to TL 3.303.005 in the accompanying unconsolidated financial statements (December 31, 2017: TL 5.834.053).

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization reserve in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization reserve, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization reserve up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization reserves. Claims payments are deducted from first year's equalization reserves by first in first out method.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

With the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization reserves are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 100.987.550 (December 31, 2017: TL 70.933.229).

As of December 31, 2018, the Company has deducted TL 5.834.920 (December 31, 2017: TL 4.070.305 TL) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the Company that gives it significant influence over the Company; or
  - has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earning per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

2.31 Subsequent events

Subsequent events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim financial statements as of December 31, 2018 are consistent with those of the previous financial year. There is no new and amended TFRS or TFRIC interpretation effective as of January 1, 2018. The effect of these standards and interpretations on the Company's financial position and performance are explained in the relevent paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The company has postponed its transition date to IFRS 15 to January 1, 2021 in accordance with "Communique on Transition Date of Insurance and Pension Companies to IFRS 15", dated October 23, 2018 and numbered 2018/4 and published by Ministry of Treasury and Finance.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. As an alternative, enterprises may prefer early implementation of provisions regarding representation of profit or loss of financial liabilities, which are established only as "fair value through profit or loss", without applying other requirements of the respective standard. The company continues to apply requirements of TAS 39 since companies, whose activities are mainly associated with insurance, are exempted to optionally implement IFRS 9 Financial Instruments standards until 2021.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard·TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on January 1, 2018. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- TFRS 1 "Initial Implementation of International Financial Reporting Standards": This amendment has abolished short term exemptions of certain TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Enterprises. Amendment is applicable for annual accounting periods, starting on and after January 1, 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Annual Improvements - 2015-2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015-2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early

application permitted The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

3 Significant Accounting Estimates and Requirements

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 - Management of insurance risk and note 4.2 - Financial risk management.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Not 17 - Insurance liabilities and reinsurance assets

Not 17 - Deferred acquisition costs

Note 21 - Deferred income taxes

Note 23 - Other liabilities and cost provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Insurance risk concentrations

The Company's gross and net insurance risk concentrations (net of reinsurer share) in terms of insurance branches are summarized as below:

	December 31, 2018		
Branches	Gross total claims liability(*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	353.012.333	(18.286.412)	334.725.921
General Damages	200.443.380	(1.846.348)	198.597.032
Land vehicles liability (MTPL)	57.945.642	(93.924)	57.851.718
General liabilities	39.721.164	(6.326.317)	33.394.847
Sea Vehicles	27.673.744	(2.473.593)	25.200.151
Marine	26.701.708	(4.124.212)	22.577.496
Land vehicles	23.653.534	(350.208)	23.303.326
Casualty	23.022.278	(492.327)	22.529.951
Life	6.619.434	(650.526)	5.968.908
Health	5.380.428	-	5.380.428
Fidelity Guarantees	700.880	(10)	700.870
Financial losses	528.783	-	528.783
Air Vehicless	380.319	-	380.319
Sea Vehicles Liability	128.186	-	128.186
Credit	62.076	-	62.076
Legal protection	456	-	456
Total	765.974.345	(34.643.877)	731.330.468

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2017		
Branches	Gross total claims liability(*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	251.570.409	(14.778.916)	236.791.493
General Damages	161.603.161	(866.648)	160.736.513
Land vehicles liability (MTPL)	68.157.854	(95.695)	68.062.159
General liabilities	27.973.013	(2.071.703)	25.901.310
Sea Vehicles	27.563.445	(2.556.755)	25.006.690
Casualty	19.910.650	(14.060)	19.896.590
Marine	21.112.608	(1.730.232)	19.382.376
Land vehicles	16.847.694	(205.655)	16.642.039
Life	15.010.302	(585.759)	14.424.543
Health	4.788.316	-	4.788.316
Financial losses	582.126	-	582.126
Fidelity Guarantees	399.558	-	399.558
Air Vehicless	344.783	-	344.783
Credit	154.741	-	154.741
Legal protection	176	-	176
Sea Vehicles Liability	(12.340)	-	(12.340)
Total	**616.006.496**	**(22.905.423)**	**593.101.073**

(*) Total claims liability includes outstanding claims reserve (paid).

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

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Company's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Company monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Company's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Company fails to meet its contractual obligations. The Company manages this credit risk by regularly assessing reliability of the counterparties.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Net book value of the assets that is exposed to credit risk is shown in the table below.

	December 31, 2018	December 31, 2017
Cash and cash equivalents *(Note 14)* (*)	1.742.194.280	1.223.126.571
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	109.875.291	378.829.902
Receivables from main operations *(Note 12)*	300.658.813	176.061.654
Reinsurer share in outstanding claims reserve *(Note 10), (Note 17)*	48.942.099	47.871.980
Income accruals	9.222.719	11.284.419
Other receivables *(Note 12)*	1.696.048	1.231.493
Other current asset *(Note 12)*	166.660	520.665
Total	2.212.755.910	1.838.926.684

(*) Cash on hands balance amounting to TL 19.945 are not included (December 31, 2017: TL 5.842).

(**) Equity shares amounting to TL 50.113.456 are not included (December 31, 2017: TL 72.250.946)

December 31, 2018 and 2017, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2018		December 31, 2017	
	Gross amount	Provision	Gross amount	Provision
Not past due	175.984.193	-	108.760.060	-
Past due 0-30 days	67.566.798	-	43.221.659	-
Past due 31-60 days	7.185.469	-	2.697.491	-
Past due 61-90 days	4.329.297	-	835.469	-
More than 90 days	70.945.090	(25.352.034)	38.520.418	(17.973.443)
Total	326.010.847	(25.352.034)	194.035.097	(17.973.443)

The movements of the allowances for impairment losses for receivables from main operations during the year are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the year	17.973.443	16.864.610
Collections during the period *(Note 47)*	(11.831)	(2.062)
Provisions for doubtful receivables during the period (*Note 47)*	292.830	-
Foreign currency translation effect *(Note 47)*	7.097.592	1.110.895
Provision for receivables from insurance operations at the end of the year	25.352.034	17.973.443

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2018	December 31, 2017
Provision for other receivables at the beginning of the year	53.177	53.177
Impairment losses provided during the period *(Note 47)*	356.186	-
Provision for other receivables at the end of the year	409.363	53.177

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Company is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/ Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/ Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

December 31, 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.742.214.225	1.062.334.568	568.874.461	32.667.559	78.337.637	-
Financial assets(*)	109.875.291	109.875.291	-	-	-	-
Receivables from main operations	300.658.813	154.061.872	17.567.782	4.224.997	124.804.162	-
Other receivables and current assets	11.085.427	10.562.675	-	-	522.752	-
Total monetary assets	**2.163.833.756**	**1.336.834.406**	**586.442.243**	**36.892.556**	**203.664.551**	**-**
Financial liabilities and other liabilities	2.054.267	2.054.267				
Payables arising from main operations	63.770.093	54.959.881	1.532.162	1.256.141	6.021.909	-
Due to related parties	109.359	109.359	-	-	-	-
Insurance technical reserves(**)	1.159.082.038	-	-	-	-	1.159.082.038
Provisions for taxes and other similar obligations	5.707.038	5.707.038	-	-	-	-
Provisions for other risks and expense accruals	59.763.498	2.423.719	3.378.675	-		53.961.104
Total monetary liabilities	**1.290.486.293**	**65.254.264**	**4.910.837**	**1.256.141**	**6.021.909**	**1.213.043.142**

(*) Equity shares amounting to TL 50.113.456 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

December 31, 2017	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.223.132.413	1.044.972.385	159.957.933	18.202.095	-	-
Financial assets(*)	378.829.902	371.329.322	-	-	1.815.693	5.684.887
Receivables from main operations	176.061.654	91.045.359	14.963.790	4.487.761	65.564.744	-
Other receivables and current assets	13.036.577	12.693.841	-	-	342.736	-
Total monetary assets	**1.791.060.546**	**1.520.040.907**	**174.921.723**	**22.689.856**	**67.723.173**	**5.684.887**
Financial liabilities and other liabilities	3.032.087	3.032.087	-	-	-	-
Payables arising from main operations	36.392.472	25.518.507	6.634.956	4.239.009	-	-
Due to related parties	106.310	106.310	-	-	-	-
Insurance technical reserves(**)	930.925.695	-	-	-	-	930.925.695
Provisions for taxes and other similar obligations	8.574.495	8.574.495	-	-	-	-
Provisions for other risks and expense accruals	52.550.241	1.787.580	3.133.995	-	-	47.628.666
Total monetary liabilities	**1.031.581.300**	**39.018.979**	**9.768.951**	**4.239.009**	**-**	**978.554.361**

(*) Equity shares amounting to TL 72.250.946 are not included.
(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Company's exposure to foreign currency risk is as follows:

December 31, 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	398.635.043	17.362.486	5.589.240	421.586.769
Receivables from main operations	69.372.305	32.350.106	152.399.146	254.121.557
Total foreign currency assets	**468.007.348**	**49.712.592**	**157.988.386**	**675.708.326**
Liabilities:				
Payables arising from main operations	(12.881.791)	(8.260.518)	(20.458.243)	(41.600.552)
Insurance technical reserves(*)	(241.303.121)	(128.788.912)	(125.188.008)	(495.280.041)
Total foreign currency liabilities	**(254.184.912)**	**(137.049.430)**	**(145.646.251)**	**(536.880.593)**
Net financial position	**213.822.436**	**(87.336.838)**	**12.342.135**	**138.827.733**

December 31, 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	263.984.818	12.469.766	3.174.131	279.628.715
Receivables from main operations	40.875.377	15.997.108	82.757.734	139.630.219
Total foreign currency assets	**304.860.195**	**28.466.874**	**85.931.865**	**419.258.934**
Liabilities:				
Payables arising from main operations	(9.284.248)	(3.293.305)	(10.819.470)	(23.397.023)
Insurance technical reserves(*)	(126.051.494)	(93.800.091)	(126.962.691)	(346.814.276)
Total foreign currency liabilities	**(135.335.742)**	**(97.093.396)**	**(137.782.161)**	**(370.211.299)**
Net financial position	**169.524.453**	**(68.626.522)**	**(51.850.296)**	**49.047.635**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of Republic of Turkey's spot sales rates.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2018	5,2609	6,0280	4,8301	5,6789
December 31, 2017	3,7719	4,5155	3,6445	4,1159

Exposure to foreign currency risk

20 percent depreciation of the TL against the following currencies as of December 31, 2018 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2017: 10 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	42.764.487	42.764.487	16.952.445	16.952.445
Euro	(17.467.368)	(17.467.368)	(6.862.652)	(6.862.652)
Others	2.468.427	2.468.427	(5.185.030)	(5.185.030)
Total, net	**27.765.546**	**27.765.546**	**4.904.763**	**4.904.763**

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2017: 10% depreciation of TL).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As of reporting date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets with fixed interest rates:	*1.735.789.236*	*1.220.364.713*
Cash at banks *(Note 14)*	1.727.884.076	1.214.679.826
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	7.905.160	-
Available for sale financial assets - Government bonds - TL *(Note 11)*	-	5.684.887
Financial assets with variable interest rate:	-	*961.152*
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	-	961.152

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading or available for sale. As of the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

TFRS 7 - *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (Note 11)(*)	159.260.466	-	-	159.260.466
Associates (Note 9)	-	118.255.503	-	118.255.503
Subsidiaries (Note 9)	-	650.692.496	-	650.692.496
Total financial assets	159.260.446	768.947.999	-	928.208.465
Tangible assets:				
Investment properties *(Note 6)*	-	392.041.000	-	392.041.000
Owner Occupied Properties *(Note 6)*	-	179.340.000	-	179.340.000
Total tangible assets	-	571.381.000	-	571.381.000
Total	159.260.446	1.340.328.999	-	1.499.589.465

(*) As of December 31, 2018, securities that are not publicly traded amounting to TL 728.281 have been measured at cost.

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)*(*)	450.372.494	-	-	450.372.494
Associates *(Note 9)*	-	116.391.717	-	116.391.717
Subsidiaries *(Note 9)*	-	547.260.068	-	547.260.068
Total financial assets	450.372.494	663.651.785	-	1.114.024.279
Tangible assets:				
Investment properties *(Note 6)*	-	365.981.000	-	365.981.000
Owner Occupied Properties *(Note 6)*	-	147.915.000	-	147.915.000
Total tangible assets	-	513.896.000	-	513.896.000
Total	450.372.494	1.177.547.785	-	1.627.920.279

(*) As of December 31, 2017, securities that are not publicly traded amounting to TL 708.354 have been measured at cost.

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as of December 31, 2018 and 2017:

	Change in index	December 31, 2018	December 31,2017
Market price of equity	10%	4.938.518	7.154.259

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2018	December 31, 2017
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	20.482.905	3.047.570
Interest income from bank deposits	209.673.361	128.135.803
Interest income from debt securities classified as available-for-sale financial assets	1.846.363	(348.208)
Income from equity shares	9.546.226	8.592.946
Foreign exchange gains	139.716.863	41.419.317
Income from investment funds	29.276.621	22.067.629
Interest income from repos	613.305	454.895
Income from subsidiaries	157.046.405	89.674.722
Income from affiliates	31.731.033	28.233.340
Investment income	**599.933.082**	**321.278.014**
Foreign exchange losses	(57.759.377)	(21.942.845)
Loss from disposal of financial assets	(11.907.041)	(996.561)
Investment management expenses (including interest)	(511.981)	(846.635)
Investment expenses	**(70.178.399)**	**(23.786.041)**
Investment income, net	**529.754.683**	**297.491.973**

Gains and losses recognized in the statement of equity, net:	December 31, 2018	December 31, 2017
Fair value changes in available for sale financial assets *(Note 15)*	(70.821.824)	24.601.238
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(20.482.905)	(3.047.570)
Total	**(91.304.729)**	**21.553.668**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 467.082.690 (December 31, 2017: TL 384.768.809) as of December 31, 2018. As of December 31, 2018 and December 31, 2017, the capital amount of the Company presented in the unconsolidated financial statements are TL 1.736.300.262 and TL 1.587.067.868 respectively and capital surplus of the Company is amounting to TL 1.079.355.016 (December 31, 2017: TL 982.382.182) according to the communiqué.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

5 Segment Information

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

As of December 31, 2018, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Foreign currency translation effect(*)	Disposals	Revaluation surplus	December 31, 2018
Cost:						
Investment properties *(Note 7)*	365.981.000	1.174.094	-	-	24.885.906	392.041.000
Buildings for own use	147.915.000	-	-	-	31.425.000	179.340.000
Furniture and fixtures	5.695.006	364.595	355.977	(350.456)	-	6.065.122
Land vehicles	1.604.238	741.355	215.830	(290.699)	-	2.270.724
	521.195.244	**2.280.044**	**571.807**	**(641.155)**	**56.310.906**	**579.716.846**
Accumulated depreciation:						
Buildings for own use	478.643	471.236	-	-	(810.011)	139.868
Furniture and fixtures	4.467.547	452.122	334.603	(347.991)	-	4.906.281
Land vehicles	621.264	359.029	91.626	(279.199)	-	792.720
	5.567.454	**1.282.387**	**426.229**	**(627.190)**	**(810.011)**	**5.838.869**
Carrying amounts	515.627.790					573.877.977

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Foreign currency translation effect(*)	Disposals	Revaluation surplus	December 31, 2017
Cost:						
Investment properties *(Note 7)*	326.090.000	-	-	-	39.891.000	365.981.000
Buildings for own use	147.915.000	-	-	-	-	147.915.000
Furniture and fixtures	5.578.940	158.877	57.432	(100.243)	-	5.695.006
Land vehicles	1.113.102	734.663	36.629	(280.156)	-	1.604.238
	480.697.042	**893.540**	**94.061**	**(380.399)**	**39.891.000**	**521.195.244**
Accumulated depreciation:						
Buildings for own use	36.819	441.824	-	-	-	478.643
Furniture and fixtures	3.927.625	588.415	51.125	(99.618)	-	4.467.547
Land vehicles	680.961	210.665	9.794	(280.156)	-	621.264
	4.645.405	**1.240.904**	**60.919**	**(379.774)**	**-**	**5.567.454**
Carrying amounts	476.051.637					515.627.790

(*) Foreign currency translation effect resulted from Singapore Branch.

The Company's property for own use is valuated over fair value as September 2018. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in September 2018.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, the fair values (excluding VAT) and net carrying values of property for own used are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2018)	Net Book Value (December 31, 2017)
Headquarter Building	September 2018	179.340.000	179.200.132	147.436.357
Total		**179.340.000**	**179.200.132**	**147.436.357**

Fair value measurement

The fair values of property for own use were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

As of December 31, 2018 and 2017, there is no mortgage on Company's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment properties are presented by fair value method as of December 31, 2018 and 2017 on balance sheet and The Company's investment properties gained TL 24.885.906 amount of value in 2018 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 19.485.110 amount of rent income is obtained from investment properties in the current accounting period (December 31, 2017: TL 16.731.702).

As of December 31, 2018, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 392.041.000 (December 31, 2017: TL 365.981.000).

The expertise (excluding VAT) and net book values of investment properties are as follows per real estate. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in September 2018. There is no pledge on the real estates.

As of December 31, 2018 and 2017, details of investment properties and the fair values are as follows:

	December 31, 2018 Net book value	December 31, 2017 Net book value	Date of expertise report	Value of expertise report
Çifteler Land	6.000	6.000	September 2018	6.000
Villa Office Block	45.100.000	44.300.000	September 2018	45.100.000
Suadiye Fitness Center	36.175.000	36.175.000	September 2018	36.175.000
Tunaman Garage	121.500.000	105.000.000	September 2018	121.500.000
Operating Center Rental Offices	189.260.000	180.500.000	September 2018	189.260.000
Carrying amounts	**392.041.000**	**365.981.000**		**392.041.000**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Foreign currency translation effects(*)	Disposal	December 31, 2018
Cost:					
Other intangible assets	6.029.231	1.477.778	921.275	-	8.428.284
Advances on intangible fixed assets(**)	20.047.775	10.055.692	-	-	30.103.467
	26.077.006	11.533.470	921.275	-	38.531.751
Accumulated amortization:					
Other intangible assets	4.242.018	1.015.035	919.441	-	6.176.494
	4.242.018	1.015.035	919.441	-	6.176.494
Carrying amounts	21.834.988				32.355.257

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) Given referring to reinsurance computer software.

Movement in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Foreign currency translation effects(*)	Disposal	December 31, 2017
Cost:					
Other intangible assets	5.405.787	467.410	156.034	-	6.029.231
Advances on intangible fixed assets(**)	12.383.457	7.664.318	-	-	20.047.775
	17.789.244	8.131.728	156.034	-	26.077.006
Accumulated amortization:					
Other intangible assets	3.319.811	766.326	155.881	-	4.242.018
	3.319.811	766.326	155.881	-	4.242.018
Carrying amounts	14.469.433				21.834.988

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) Given referring to reinsurance computer software.

9 Investments in associates

The Company accounts for its subsidiaries, its investments in associates and its joint ventures using the equity method defined in TAS 27 - "Consolidated and Seperate Financial Statements" in preparing the unconsolidated financial statements.

As of the reporting date, the carrying values of the investments accounted for using equity method accounted in balance sheet in the unconsolidated financial statements of the Company are as follows:

	December 31, 2018		December 31, 2017	
	Net book value	Participation rate %	Net book value	Participation rate %
Anadolu Hayat Emeklilik	118.255.503	12,46	116.391.717	12,46
Investments in associates, net	118.255.503		116.391.717	
Anadolu Sigorta	647.247.206	57,31	544.063.326	57,31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	3.445.290	77,00	3.196.742	77,00
Investments in subsidiaries, net	650.692.496		547.260.068	
Total financial asset	768.947.999		663.651.785	

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Associates:						
Anadolu Hayat Emeklilik(*)	20.229.978.136	949.081.089	98.747.310	254.663.182	Audited.	December, 31 2018
Subsidiaries:						
Miltaş Turizm İnşaat Tic.A.Ş.	4.769.334	4.474.402	-	332.283	Not Audited.	December, 31 2018
Anadolu Sigorta(*)	7.576.987.749	1.319.162.272	80.319.522	324.506.976	Audited.	December, 31 2018

(*) As of December 31, 2018, consolidated financial informations of Anadolu Sigorta and Anadolu Hayat Emeklilik are shown.

10 Reinsurance assets and liabilities

As of December 31, 2018 and 2017, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2018	December 31, 2017
Receivables from reinsurance companies *(Note 12)*	46.329.322	21.470.170
Cash deposited to reinsurance companies	72.560.207	25.060.298
Outstanding claims reserve, ceded *(Note 4.2)*, *(Note 17)*	48.942.099	47.871.980
Unearned premiums reserve, ceded *(Note 17)*	18.693.888	6.817.997
Total	186.525.516	101.220.445

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Deferred commission income *(Note 19)*	758.494	614.358
Total	758.494	614.358

Gains and losses recognized in the statement of income in accordance with existing retrocession contracts are as follows:

	December 31, 2018	December 31, 2017
Premiums ceded during the period *(Note 17)*	(165.195.789)	(129.912.142)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(6.817.997)	(6.276.404)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	18.693.888	6.817.997
Premiums earned, ceded *(Note 17)*	(153.319.898)	(129.370.549)
Claims paid, ceded during the period *(Note 17)*	34.643.877	22.905.423
Outstanding claims reserve, ceded at the beginning of the period *(Note 17)*	(47.871.980)	(41.095.682)
Outstanding claims reserve, ceded at the end of the period *(Note 17)*	48.942.099	47.871.980
Claims incurred, ceded *(Note 17)*	35.713.996	29.681.721
Commission income accrued from reinsurers during the period *(Note 32)*	2.228.392	1.803.088
Deferred commission income at the beginning of the period *(Note 19)*	614.358	449.504
Deferred commission income at the end of the period *(Note 19)*	(758.494)	(614.358)
Commission income earned from reinsurers *(Note 32)*	2.084.256	1.638.234
Changes in unexpired risks reserve, reinsurers' share *(Note 17)*	(188.997)	390.622
Total, net	(115.710.643)	(97.659.972)

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

11 Financial assets

As of December 31, 2018 and 2017, the Company's financial assets are detailed as follows:

	December 31, 2018	December 31, 2017
Available for sale financial assets	166.943.287	458.035.388
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	**159.988.747**	**451.080.848**

As of December 31, 2018 and 2017, the Company's available for sale financial assets are as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Private sector bonds - TL	15.100.000	14.528.500	14.859.700	14.859.700
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	15.100.000	**14.528.500**	**7.905.160**	**7.905.160**
Non-fixed income financial assets:				
Equity shares		62.575.635	50.113.456	50.113.456
Investment funds		99.162.237	101.970.131	101.970.131
		161.737.872	**152.083.587**	**152.083.587**
Total available-for-sale financial assets	**15.100.000**	**176.266.372**	**159.988.747**	**159.988.747**

	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - TL	5.900.000	7.303.056	5.684.887	5.684.887
Private sector bonds - TL	7.908.788	7.908.788	7.915.692	7.915.692
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	13.808.788	**15.211.844**	**6.646.039**	**6.646.039**
Non-fixed income financial assets:				
Equity shares		54.939.661	72.250.946	72.250.946
Investment funds		349.061.157	372.183.863	372.183.863
		404.000.818	**444.434.809**	**444.434.809**
Total available-for-sale financial assets	**13.808.788**	**419.212.662**	**451.080.848**	**451.080.848**

Debt instruments presented above are traded in the capital markets. As of December 31, 2018, equity shares classified as available for sale financial assets with a carrying amount of TL 728.281 are not publicly traded (December 31, 2017: TL 708.354).

There is no debt security issued during the period or issued before and paid during the period by the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2018	(91.304.729)	(38.392.931)
2017(*)	21.553.668	52.911.798
2016(*)	(59.316.799)	31.358.130

(*) Restated due to retrospectively amendments.

Details of the financial assets issued by related parties of the Company's are as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		62.508.033	50.045.854	50.045.854
Available for sale financial assets - Investment funds		99.162.237	101.970.131	101.970.131
Available for sale financial assets - Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Total	9.000.000	170.098.770	160.775.685	160.775.685

	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		54.872.059	72.183.344	72.183.344
Available for sale financial assets - Investment funds		349.061.157	372.183.863	372.183.863
Total		403.933.216	444.367.207	444.367.207

Movements of the financial assets during the period are presented below:

	December 31, 2018	
	Available-for-sale	Total
Balance at the beginning of the period	451.080.848	451.080.848
Acquisitions during the period	1.085.165.474	1.085.165.474
Disposals (sale and redemption)	(1.373.823.061)	(1.373.823.061)
Change in the fair value of financial assets	(11.371.447)	(11.371.447)
Change in amortized cost of the financial assets	1.300.960	1.300.960
Bonus shares acquired	7.635.973	7.635.973
Balance at the end of the period	159.988.747	159.988.747

	December 31, 2017	
	Available-for-sale	Total
Balance at the beginning of the period	358.120.872	358.120.872
Unrealized exchange differences on financial assets	-	-
Acquisitions during the period	486.980.571	486.980.571
Disposals (sale and redemption)	(442.910.376)	(442.910.376)
Change in the fair value of financial assets	21.231.995	21.231.995
Change in amortized cost of the financial assets	20.789.498	20.789.498
Bonus shares acquired	6.868.288	6.868.288
Balance at the end of the period	451.080.848	451.080.848

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from main operations *(Note 4.2)*	300.658.813	176.061.654
Prepaid taxes and funds *(Note 19)*	-	-
Other receivables *(Note 4.2)*	1.696.048	1.231.493
Other current asset	166.660	520.665
Total	302.521.521	177.813.812
Short-term receivables	302.521.521	177.813.812
Total	302.521.521	177.813.812

As of December 31, 2018 and 2017, receivables from main operations are detailed as follows:

	December 31, 2018	December 31, 2017
Receivables from insurance companies	61.201.859	47.708.257
Receivables from brokers and intermediaries	66.190.154	43.879.856
Receivables from reinsurance companies *(Note 10)*	46.329.322	21.470.170
Total receivables from insurance operations, net	173.721.335	113.058.283
Cash deposited to insurance and reinsurance companies	126.937.478	63.003.371
Doubtful receivables from main operations	25.352.034	17.973.443
Provision for doubtful receivables from main operations	(25.352.034)	(17.973.443)
Receivables from main operations	300.658.813	176.061.654

As of December 31, 2018 and 2017, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2018	December 31, 2017
Letters of guarantees	11.742.907	10.074.256
Total	11.742.907	10.074.256

Provisions for overdue receivables and receivables not due yet

a) *Receivables under legal or administrative follow up (due): TL* 25.352.034 for main operations (December 31, 2017: TL 17.973.443) and TL 409.363 (December 31, 2017: TL 53.177) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2017: None).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 - *Related party transactions.*

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2- Financial risk management.

13 Derivative financial assets

As of December 31, 2018 and 2017, the Company has no derivative financial instruments.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

14 Cash and cash equivalents

As of December 31, 2018 and 2017, the details of cash and cash equivalents are as follows:

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	19.945	5.842	5.842	17.446
Bank deposits	1.742.194.280	1.223.126.571	1.223.126.571	1.123.257.588
Cheques received	-	-	-	1.950.000
Cash and cash equivalents in the balance sheet	**1.742.214.225**	**1.223.132.413**	**1.223.132.413**	**1.125.225.034**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(409.261.173)	(51.610.145)	(51.610.145)	(104.733.974)
Interest accruals on bank deposits	(12.664.099)	(8.230.211)	(8.230.211)	(6.427.800)
Cash and cash equivalents presented in the statement of cash flows	**1.320.288.453**	**1.163.291.557**	**1.163.291.557**	**1.014.062.760**

As of December 31, 2018 and 2017, the details of bank deposits as follows:

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	407.654.891	271.248.511
- demand deposits	13.929.931	8.378.793
Bank deposits in Turkish Lira		
- time deposits	1.320.229.185	943.431.315
- demand deposits	380.273	67.952
Bank deposits	**1.742.194.280**	**1.223.126.571**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76,64% of outstanding shares. As of December 31, 2018 and, 2017, the shareholding structure of the Company is as follows:

	December 31, 2018		December 31, 2017	
Name	Pay tutarı (TL)	Pay oranı (%)	Pay tutarı (TL)	Pay oranı (%)
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

As of December 31, 2018, the issued share capital of the Company is TL 660.000.000 (December 31, 2017: TL 660.000.000) and the share capital of the Company consists of 66.000.000.000 (December 31, 2017: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the period	**104.684.305**	**90.368.821**
Transfer from profit	7.291.447	8.595.616
Accounted according to the equity method	11.065.714	5.719.868
Legal reserves at the end of the period	**123.041.466**	**104.684.305**

As of December 31, 2018 and December 31, 2017, "Other Reserves and Retained Earnings" includes extraordinary reserves, gains to be added to equity and buildings for own use revaluation differences and other profit reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	**179.927.411**	**81.426.607**
Transfer from profit	46.420.386	70.647.616
Accounted according to the equity method	58.281.764	27.853.188
Extraordinary reserves at the end of the period	**284.629.561**	**179.927.411**

Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (2.073.808), (December 31, 2017 TL (1.367.215 TL)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of December 31, 2018.

Movement of other profit reserves is presented below:

	December 31, 2018	December 31, 2017
Other profit reserves at the beginning of the period	**24.383.602**	**25.812.080**
Actuarial gains/losses	(706.593)	(342.955)
Accounted according to the equity method	(1.269.067)	(1.085.523)
Other profit reserves at the end of the period	**22.407.942**	**24.383.602**

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2018, there are no funds allocated in this manner (December 31, 2017: None). As of December 31, 2018, the statutory reverses that are accounted according to the equity method amounting to TL 23.673.660 (December 31, 2017: 14.966.866 TL).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As of December 31, 2018, foreign currency translation loss amounting to TL 43.734.932 (December 31, 2017: TL 28.441.170 loss) stems from Singapore Branch whose functional currency is US Dollars.

Other capital reserves

"According to TAS 16 - "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

According to expertise reports, fair value of building for own use is calculated as TL 179.340.000 and revaluation differences amounted TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity amounting to TL 146.070.394 with net tax effect in financial statements as of December 31, 2018 (December 31, 2017: TL 117.058.884). As of December 31, 2018, the other capital reverses that are accounted according to the equity method amounting to TL 17.679.452 (December 31, 2017: 16.842.305 TL)

Valuation of financial assets

As of December 31, 2018 and 2017 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	December 31, 2018	December 31, 2017
Fair value reserves at the beginning of the period	**52.911.798**	**31.358.130**
Change in the fair value during the period *(Note 4.2)*	(79.511.110)	27.983.813
Deferred tax effect *(Note 4.2)*	4.183.047	(3.992.089)
Net gains transferred to the statement of income *(Note 4.2)*	(20.482.905)	(3.047.570)
Deferred tax effect *(Note 4.2)*	4.506.239	609.514
Fair value reserves at the end of the period	**(38.392.931)**	**52.911.798**

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profit from real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, the Company classified the gain on sale dated April 10, 2015 from the land in real estate amounting to TL 23.723.323 as of December 31, 2016. As of December 31, 2018, profit for the period that is extraneous from the distribution that are accounted according to the equity method amounting to TL 522.188 (December 31, 2017: None.)

16 Other reserves and equity component of discretionary participation

As of December 31, 2018 and 2017, other reserves are explained in detail in Note 15 - *Equity* above.

As of December 31, 2018 and 2017, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 - *Summary of significant accounting policies*.

As of December 31, 2018 and 2017, technical reserves of the Company are as follows:

	December 31, 2018	December 31, 2017
Unearned premiums reserve, gross	597.910.179	460.020.207
Unearned premiums reserve, ceded *(Note 10)*	(18.693.888)	(6.817.997)
Unearned premiums reserve, net	**579.216.291**	**453.202.210**
Outstanding claims reserve, gross	1.208.024.137	978.797.675
Outstanding claims reserve, ceded *(Note 10)*	(48.942.099)	(47.871.980)
Outstanding claims reserve, net	**1.159.082.038**	**930.925.695**
Unexpired risks reserve, gross	3.559.131	6.279.176
Unexpired risks reserve, ceded *(Note 10)*	(256.126)	(445.123)
Unexpired risks reserve, net	**3.303.005**	**5.834.053**
Equalization reserve, net	**100.987.550**	**70.933.229**
Mathematical reserves	**73.795**	**116.109**
Total technical reserves, net	**1.842.662.679**	**1.461.011.296**
Short-term	1.741.675.129	1.390.078.067
Medium and long-term	100.987.550	70.933.229
Total technical reserves, net	**1.842.662.679**	**1.461.011.296**

As of December 31, 2018 and 2017, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2018		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	460.020.207	(6.817.997)	453.202.210
Written premiums during the period	1.320.177.533	(165.195.789)	1.154.981.744
Earned premiums during the period	(1.182.287.561)	153.319.898	(1.028.967.663)
Unearned premiums reserve at the end of the period	**597.910.179**	**(18.693.888)**	**579.216.291**

	December 31, 2017		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	377.386.976	(6.276.405)	371.110.571
Written premiums during the period	1.085.712.889	(129.912.142)	955.800.747
Earned premiums during the period	(1.003.079.658)	129.370.550	(873.709.108)
Unearned premiums reserve at the end of the period	**460.020.207**	**(6.817.997)**	**453.202.210**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2018		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	978.797.675	(47.871.980)	930.925.695
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.101.172.109	(36.603.633)	1.064.568.476
Claims paid during the period	(765.974.345)	34.643.877	(731.330.468)
Discount effect	(105.971.302)	889.637	(105.081.665)
Outstanding claims reserve at the end of the period	**1.208.024.137**	**(48.942.099)**	**1.159.082.038**

	December 31, 2017		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	902.903.203	(41.095.682)	861.807.521
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	693.677.696	(29.833.513)	663.844.183
Claims paid during the period	(616.006.496)	22.905.423	(593.101.073)
Discount effect	(1.776.728)	151.792	(1.624.936)
Outstanding claims reserve at the end of the period	**978.797.675**	**(47.871.980)**	**930.925.695**

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Company.

Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2018, short-term deferred expenses amounting to TL 147.058.200 (December 31, 2017: TL 114.233.617) totally consist of deferred commission expenses.

As of December 31, 2018 and 2017, the movement of deferred commission expenses is presented below:

	December 31, 2018	December 31, 2017
Deferred commission expenses at the beginning of the period	114.233.617	92.601.448
Commissions accrued during the period *(Note 32)*	316.773.909	262.282.352
Commissions expensed during the period *(Note 32)*	(283.949.326)	(240.650.183)
Deferred commission expenses at the end of the period	147.058.200	114.233.617

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Payables from reinsurance operations	63.770.093	36.392.472
Short/long term deferred income and expense accruals	6.829.179	5.892.150
Taxes and other liabilities and similar obligations	5.707.038	8.574.495
Due to related parties *(Note 45)*	109.359	106.310
Other payables	2.054.267	3.032.087
Total	78.469.936	53.997.514
Short-term liabilities	78.437.436	53.887.014
Medium and long-term liabilities	32.500	110.500
Total	78.469.936	53.997.514

As of December 31, 2018 and 2017, other payables largely consist of outsourced benefits and services.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 758.494 TL (December 31, 2017: TL 614.358).

As of December 31, 2018, the amounting of the expense accruals TL 5.802.394 (December 31, 2017: TL 4.921.575) are detailed in the table below.

	December 31, 2018	December 31, 2017
Dividend accrual	3.378.675	3.133.995
Other accruals	2.423.719	1.787.580
Total	**5.802.394**	**4.921.575**

Prepaid income and expense accruals are TL 268.291 (December 31, 2017: TL 356.217) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2018	December 31, 2017
Taxes paid during the year	24.474.548	37.023.057
Corporate tax liabilities	(27.682.983)	(44.131.400)
Prepaid assets, net	**(3.208.435)**	**(7.108.343)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

The Company has no any financial liabilities as of December 31, 2018 (The Company has no any financial liabilities as of December 31, 2017).

21 Deferred tax

As of December 31, 2018 and 2017, deferred tax assets and liabilities are attributable to the following:

	December 31, 2018	December 31, 2017
	Deferred tax assets/ (liabilities)	Deferred tax assets/ (liabilities)
Equalization provision	13.065.362	8.263.702
Provision for the pension fund deficits	8.947.362	7.867.023
Provision for doubtful receivables	855.039	478.797
Provisions for employee termination benefits	1.844.858	1.658.710
Unexpired risks reserve	726.661	1.283.492
Personnel Bonus Accrual	743.308	689.479
Time deposits	192.055	85.806
Rediscount of receivables and payables	(31.612)	(40.193)
Amortization correction differences	(271.977)	(267.310)
Profit commission accrual	(2.028.998)	(2.482.572)
Valuation differences in financial assets	2.246.258	88.173
Real estate valuation differences	(53.136.321)	(47.424.229)
Deferred tax (liabilities)/assets, net	**(26.848.005)**	**(29.799.122)**

As of December 31, 2018, the Company does not have deductible tax losses. The Company also does not have deductible tax losses as of December 31, 2017.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Movement of deferred tax assets are given below:

	December 31, 2018	December 31, 2017
Opening balance at 1 January	(29.799.122)	(28.810.281)
Deferred tax income/ expense	1.814.922	9.420.780
Deferred tax income/ expense recognised in equity	1.136.195	(10.409.621)
Deferred tax (assets)/ liabilities:	(26.848.005)	(29.799.122)

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered 2007/33 and dated March 22, 2007. The justified decision of Supreme Court is published in Official Gazette dated December 15, 2007 and numbered 26731. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2014.

April 23, 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20 th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

With the decision of the Council of Ministers to be published in the future, the principles and practices of the period will be determined.

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following;

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 44.736.812 (December 31, 2017: TL 39.335.115) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2018 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/ decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At December 31, 2018 and 2017, technical deficit from pension funds comprised the following.

	December 31, 2018	December 31, 2017
Net present value of total liabilities other than health	(133.663.392)	(120.115.748)
Net present value of insurance premiums	29.450.709	25.469.048
Net present value of total liabilities other than health	**(104.212.683)**	**(94.646.700)**
Net present value of health liabilities	(16.741.096)	(14.756.726)
Net present value of health premiums	16.332.152	13.918.802
Net present value of health liabilities	**(408.944)**	**(837.924)**
Pension fund assets	**59.884.815**	**56.149.509**
Amount of actuarial and technical deficit	**(44.736.812)**	**(39.335.115)**

Pension fund's assets are comprised of the following items:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	48.840.924	46.869.599
Associates	9.682.845	8.356.885
Other	1.361.046	923.025
Total plan assets	**59.884.815**	**56.149.509**

23 Other liabilities and expense accruals

As of December 31, 2018 and 2017; the provisions for other risks are disclosed as follows:

	December 31, 2018	December 31, 2017
Provision for pension fund deficits *(Note 22)*	44.736.812	39.335.115
Provision for employee termination benefits	9.224.292	8.293.551
Total provision for other risks	**53.961.104**	**47.628.666**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2018	December 31, 2017
Provision at the beginning of the period	8.293.551	7.202.618
Interest cost *(Note 47)*	665.401	613.138
Service cost *(Note 47)*	528.850	479.622
Payments during the period *(Note 47)*	(1.146.752)	(430.521)
Actuarial gain/ loss	883.242	428.694
Provision at the end of the period	**9.224.292**	**8.293.551**

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying unconsolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Asset held at fair value through profit or loss

Presented in "Note 4.2 - Financial Risk Management".

29 Insurance rights and claims

	December 31, 2018		December 31, 2017	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(5.968.908)	(725.361.560)	(14.424.544)	(578.676.529)
Changes in outstanding claims reserve, net off reinsurers' share	361.110	(228.517.453)	(359.705)	(68.758.469)
Changes in unearned premiums reserve, net off reinsurers' share	(2.715.933)	(123.298.148)	1.660.620	(83.752.259)
Changes in unexpired risks reserve, net off reinsurers' share	-	2.531.048	-	(2.548.728)
Change in equalization reserve, net off reinsurers' share	(228.499)	(29.825.822)	(178.889)	(25.544.414)
Change in life mathematical reserves, net off reinsurers' share	42.314	-	49.048	-
Total	**(8.509.916)**	**(1.104.471.935)**	**(13.253.470)**	**(759.280.399)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

32 Operating expenses

As of December 31, 2018 and 2017, the operating expenses are disclosed as follows:

	December 31, 2018		December 31, 2017	
	Life	Non-Life	Life	Non-Life
Commission expenses *(Note 17)*	6.404.104	277.545.222	3.699.959	236.950.224
Commissions to the intermediaries accrued during the period (Note 17)	7.101.817	309.672.092	4.001.994	258.280.358
Changes in deferred commission expenses (Note 17)	(697.713)	(32.126.870)	(302.035)	(21.330.134)
Employee benefit expenses *(Note 33)*	786.531	51.527.690	762.104	44.133.697
Foreign exchange losses	117.919	70.362.562	51.597	26.203.562
Administration expenses	226.149	15.706.760	210.082	13.041.930
Commission income from reinsurers *(Note 10)*	-	(2.084.256)	(1.611)	(1.636.623)
Commission income from reinsurers accrued during the period (Note 10)	-	(2.228.392)	-	(1.803.088)
Change in deferred commission income (Note 10)	-	144.136	(1.611)	166.465
Outsourced benefits and services	20.622	1.144.486	22.012	1.118.514
Other	24.982	11.222.083	28.814	6.847.942
Total	**7.580.307**	**425.424.547**	**4.772.957**	**326.659.246**

33 Employee benefit expenses

As of December 31, 2018 and 2017, employee benefit expenses are disclosed as follows:

	December 31, 2018		December 31, 2017	
	Life	Non-Life	Life	Non-Life
Wages and salaries	572.422	38.880.258	558.452	33.271.119
Employer's share in social security premiums	128.864	7.687.682	128.566	6.915.865
Pension fund benefits	85.245	4.959.750	75.086	3.946.713
Total *(Note 32)*	**786.531**	**51.527.690**	**762.104**	**44.133.697**

34 Financial costs

Finance costs of the period are presented in "Note 4.2 - *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the unconsolidated statement of income.

35 Income tax

Income tax expense in the accompanying financial statements is as follows:

	December 31, 2018	December 31, 2017
Corporate tax expense:		
Corporate tax provision	(27.682.983)	(44.131.400)
Deferred taxes:		
Origination and reversal of temporary differences	1.814.922	9.420.780
Total income tax expense / (income)	(25.868.061)	(34.710.620)

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

For the period then ended as of December 31, 2018 and 2017, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	December 31, 2018		December 31, 2017	
Profit before taxes	304.081.473	Tax rate (%)	237.732.965	Tax rate (%)
Taxes on income per statutory tax rate	66.897.924	22,00	47.546.593	20,00
Tax exempt income	(49.106.105)	(16,15)	(33.269.201)	(13,99)
Non-deductible expenses	8.076.242	2,66	20.433.228	8,60
Total tax expense recognized in profit or loss	**25.868.061**	**8,51**	**34.710.620**	**(14,60)**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing net profit of the year to the weighted average number of shares.

	2018	2017
Net profit for the period	278.213.412	203.022.345
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,0042	0,0031

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833 from 2017 activities of the Company.

Paid dividend amount is reflected to financial statements as liability on the period that is declared by the Company.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying unconsolidated statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

"Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Millî Reasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

The Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2018	December 31, 2017
Within one year	2.602.820	1.022.487
Between two to five years	2.602.820	2.044.973
Total of minimum rent payments	5.205.640	3.067.460

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

45 Related party transactions

For the purpose of the accompanying unconsolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Türkiye İş Bankası A.Ş.	1.188.043.184	806.036.955
Other	1.883	617
Banks	**1.188.045.067**	**806.037.572**
Equity shares of the related parties *(Note 11)*	50.045.854	72.183.344
Investment funds founded by İş Portföy Yönetimi A.Ş. (*Note 11)*	101.970.131	372.183.863
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	8.759.700	-
Financial assets	**160.775.685**	**444.367.207**
Anadolu Sigorta	4.208.694	49.110
Ziraat Sigorta A.Ş.	2.872.372	723.702
Anadolu Hayat Emeklilik A.Ş	1.006.559	250.069
İstanbul Umum Sigorta A.Ş	161.487	120.904
Ziraat Hayat ve Emeklilik A.Ş.	-	70.000
Allianz Sigorta A.Ş	-	207.266
Ergo Sigorta A.Ş	-	18.246
Receivables from main operations	**8.249.112**	**1.439.297**
Due to shareholders	97.467	81.850
Due to other related parties	11.892	24.460
Due to related parties	**109.359**	**106.310**
Axa Sigorta A.Ş	10.596.518	385.547
Ergo Sigorta A.Ş	693.757	1.793.100
Groupama Sigorta A.Ş	609.487	94.095
Allianz Sigorta A.Ş	582.788	28.741
Anadolu Hayat Emeklilik A.Ş	278.417	-
Güven Sigorta T.A.Ş	209.260	194.916
İstanbul Umum Sigorta A.Ş	22.993	35.023
Ziraat Hayat ve Emeklilik	18.039	-
Anadolu Sigorta	13.869	762.238
AvivaSa Emeklilik A.Ş	-	46.800
Payables from main operations	**13.025.128**	**3.340.460**

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The transactions with related parties are as follows:

	December 31, 2018	December 31, 2017
Anadolu Sigorta	141.034.866	122.812.661
Ziraat Sigorta A.Ş.	18.439.443	15.697.535
Axa Sigorta A.Ş.	8.928.768	22.769.967
Groupama Sigorta A.Ş.	2.939.670	3.688.180
Anadolu Hayat Emeklilik A.Ş.	1.995.704	1.158.363
Allianz Sigorta A.Ş.	355.191	903.676
Ziraat Hayat ve Emeklilik	290.000	280.000
Ergo Sigorta A.Ş.	96.696	241.627
Güven Sigorta T.A.Ş.	(222)	14
Premiums received	**174.080.116**	**167.552.023**
Anadolu Sigorta	104.011	2.701
Groupama Sigorta A.Ş.	15.878	1.422
Ergo Sigorta A.Ş.	7.003	630
Axa Sigorta A.Ş.	6.688	719
Güven Sigorta T.A.Ş.	2.380	259
Allianz Sigorta A.Ş.	1	27
İstanbul Umum A.Ş.	--	14
Premiums ceded	**135.961**	**5.772**
Güven Sigorta T.A.Ş.	41	(111)
Axa Sigorta A.Ş.	(172)	(295)
Ergo Sigorta A.Ş.	(213)	(249.343)
Groupama Sigorta A.Ş.	(284)	(375)
Anadolu Sigorta	(643)	(662)
Commissions received	**(1.271)**	**(250.786)**
Anadolu Sigorta	30.904.286	26.896.572
Ziraat Sigorta A.Ş.	4.525.564	3.936.304
Axa Sigorta A.Ş.	1.917.506	3.045.707
Groupama Sigorta A.Ş.	461.648	1.029.254
Anadolu Hayat Emeklilik A.Ş.	170.168	86.163
Allianz Sigorta A.Ş.	69.543	149.046
Güven Sigorta T.A.Ş.	(38)	1
Ergo Sigorta A.Ş.	(72.443)	-
Commissions given	**37.976.234**	**35.143.047**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2018	December 31, 2017
Anadolu Sigorta	75.875.872	71.589.822
Axa Sigorta A.Ş.	24.591.209	13.029.641
Ziraat Sigorta A.Ş.	6.879.276	10.858.885
Ergo Sigorta A.Ş.	4.924.629	10.377.343
Groupama Sigorta A.Ş.	2.818.246	3.914.587
Allianz Sigorta A.Ş.	2.318.683	1.984.185
Güven Sigorta T.A.Ş.	461.340	1.036.209
Ziraat Hayat ve Emeklilik	456.788	169.447
Anadolu Hayat Emeklilik A.Ş.	389.733	509.224
AvivaSa Emeklilik A.Ş.	-	46.800
Claims paid	118.715.776	113.516.143
Axa Sigorta A.Ş.	197.781	66.253
Groupama Sigorta A.Ş.	164.940	83.682
Güven Sigorta T.A.Ş.	163.000	51.508
Anadolu Sigorta	161.735	145.224
İstanbul Umum A.Ş.	65.852	18.462
Allianz Sigorta A.Ş.	48.908	14.896
Ergo Sigorta A.Ş.	42.109	61.945
Reinsurance's share of claims paid	844.325	441.970
Anadolu Sigorta	2.363.222	437.245
Axa Sigorta A.Ş.	1.394.118	491.232
Ziraat Sigorta A.Ş.	258.981	90.046
Allianz Sigorta A.Ş.	136.561	31.477
Groupama Sigorta A.Ş.	48.543	23.922
Ergo Sigorta A.Ş.	21.262	10.941
Güven Sigorta T.A.Ş.	6.405	259.537
İstanbul Umum A.Ş.	2.520	721
Anadolu Hayat Emeklilik A.Ş.	1.792	220
Other income	4.233.404	1.345.341
Ergo Sigorta A.Ş.	641.708	192.974
Anadolu Sigorta	325.482	328.457
Axa Sigorta A.Ş.	302.204	62.251
Allianz Sigorta A.Ş.	80.431	124.008
Groupama Sigorta A.Ş.	54.044	21.223
Güven Sigorta T.A.Ş.	25.177	-
İstanbul Umum A.Ş.	11.744	6.789
Anadolu Hayat Emeklilik A.Ş.	2.001	242
Ziraat Sigorta A.Ş.	1.126	8.636
Other expenses	1.443.917	744.580

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events*.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

Details of rediscount and provision expenses are as follows:

Provision expenses	December 31, 2018	December 31, 2017
Provision for impairment of securities	(356.186)	(99.300)
Provision for pension fund deficits	(5.401.697)	(9.650.003)
Provision expenses for doubtful receivables (*)	(7.378.591)	(1.110.895)
Provision for employee termination benefits *(Note 23)*	(47.499)	(662.239)
Other provision	(7.385)	3.172
Total of provisions	(13.191.358)	(11.519.265)

(*) The provision for doubtful receivables related to valuation of foreign currency denominated receivables from main operations.

Rediscount Expenses	December 31, 2018	December 31, 2017
Rediscount income/ (expense) from reinsurance receivables	(2.542)	(342)
Rediscount income/ (expense) from reinsurance payables	(725.245)	(271.427)
Total of rediscounts	(727.787)	(271.769)

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2018

(Convenience translation of independent auditors' report and consolidated financial statements originally issued in Turkish)

INFORMATION ON CONSOLIDATED SUBSIDIARIES

Anadolu Anonim Türk Sigorta Şirketi

Writing Non-Life insurance and reinsurance business, Anadolu Sigorta was founded on 1925 at the initiative of Mustafa Kemal Atatürk and under the leadership of İşbank, Turkey's first national bank.

Pioneering its sector ever since it was founded, Anadolu Sigorta is committed to offering only high-quality products and services and to ensuring their sustainability with its experienced staff, solid financial and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

48% of Anadolu Sigorta's shares are quoted on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 57.31% of the Company's share is held by Millî Reasürans T.A.Ş.

Headquartered in İstanbul, Anadolu Sigorta brings its products to its customers via regional offices in İstanbul (2), Ankara, Adana, Antalya, Bursa, Samsun, Trabzon, and İzmir, a branch in the Turkish Republic of Northern Cyprus, and about 2,319 agencies.

Anadolu Sigorta uses bank branches within the bancassurance network as fundamental element of its service delivery in Turkey. Together with all İşbank branches, Türkiye Sınai Kalkınma Bankası, Arap Türk Bankası, Alternatifbank, Albaraka Türk Katılım Bankası and Finansbank branches are serving as Anadolu Sigorta agencies.

In 2018, Anadolu Sigorta expanded its total premium production by 22% year-on-year on basis to TL 5.7 billion and controls an 11.94% share of the overall market among Non-Life companies.

Anadolu Sigorta registered its highest premium production in 2018 in Land Vehicles Liability with TL 1,551 million, followed by Land Vehicles with TL 1,090 million, Fire and Natural Disasters with 1,035 million and Sickness/Health with TL 771 million.

According to the unconsolidated financial statements, Anadolu Sigorta's total assets reached TL 7.9 billion at the end of 2018 increasing by 12.4% while shareholders' equity was TL 1.6 billion. Anadolu Sigorta with the net profit for the year of TL 307.6 million with an increase of 67% compared to the previous year, successfully achieved its sustainable profit target in 2018 as well.

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Estimates and assumptions used in calculation of insurance contract liabilities	
As of December 31, 2018, the Company has insurance liabilities of TL 7.050.127.092 representing 67% of the Company's total liabilities. The Company made net provision of TL 4.220.468.278 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 1.428.507.134) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review the incurred case files which selected randomly; obtained the signed lawyer letter from the Company's attorney for litigated case files; assessed the average claim amount and opening claim amounts determined by the Company's actuary; have performed the audit procedures related to the completeness of the data used in the correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the consolidated financial statements are sufficient.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Group recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2018, fair value amount of the investment properties and properties for own use disclosed in the consolidated financial statements amounts to TL 455.721.000 and TL 194.296.000 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Group's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- Obtain an understanding of 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's 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 consolidated 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 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 consolidated 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) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

February 28, 2019
Istanbul, Turkey

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2018

We confirm that the consolidated financial statements and related disclosures and footnotes as of December 31, 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,

February 28, 2019

Ertan TAN	Şule SOYLU	Özlem CİVAN	Hasan Hulki YALÇIN
Actuary Registration No: 21	Assistant General Manager	Assistant General Manager	General Manager

CONTENTS

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

ASSETS			
		Audited	Audited-Restated(*)
		Current Period	Prior Period
I- Current Assets	Note	December 31, 2018	December 31, 2017
A- Cash and Cash Equivalents	14	5.815.792.507	4.727.809.372
1- Cash	14	70.338	68.699
2- Cheques Received		-	-
3- Banks	14	5.364.205.897	4.328.461.218
4- Cheques Given and Payment Orders (-)	14	(79.251)	(87.620)
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	451.595.523	399.367.075
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	1.187.594.714	1.554.601.188
1- Financial Assets Available for Sale	11	1.014.996.508	1.214.020.578
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	179.552.746	347.535.150
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	12	1.833.933.318	1.355.731.258
1- Receivables From Insurance Operations	12	1.312.946.060	1.074.438.568
2- Provision for Receivables From Insurance Operations (-)	12	(16.172.744)	(8.337.019)
3- Receivables From Reinsurance Operations	12	348.423.664	197.025.414
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	188.736.338	92.604.295
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	296.775.530	226.233.121
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(296.775.530)	(226.233.121)
D- 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- 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	12	28.980.211	20.249.955
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	12	361.930	303.934
4- Other Receivables	12	28.618.281	19.946.021
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	4.2,12	409.363	53.177
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(409.363)	(53.177)
F- Prepaid Expenses and Income Accruals		589.985.575	453.776.252
1- Deferred Commission Expenses	17	500.778.299	422.238.492
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2,12	88.437.494	31.213.090
4- Other Prepaid Expenses	4.2,12	769.782	324.670
G- Other Current Assets		41.723.245	2.160.121
1- Inventories		1.255.218	727.971
2- Prepaid Taxes and Funds	12,19	38.869.531	-
3- Deferred Tax Assets		-	-
4- Job Advances	12	624.023	547.641
5- Advances Given to Personnel	12	-	466.665
6- Stock Count Differences		-	-
7- Other Current Assets	12	974.473	417.844
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		9.498.009.569	8.114.328.146

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

ASSETS			
II- Non-Current Assets	Note	Audited Current Period December 31, 2018	Audited-Restated(*) Prior Period December 31, 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	4.2,12	25.352.034	17.966.058
10-Provision for Doubtful Receivables from Main Operations	4.2,12	(25.352.034)	(17.966.058)
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	4.2,12	1.627.433	2.205.704
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		332.552	320.795
4- Other Receivables	4.2,12	1.419.890	2.129.835
5- Discount on Other Receivables (-)	4.2,12	(125.009)	(244.926)
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	9	202.752.320	199.362.557
1- Investments In Associates		-	-
2- Affiliates	9	199.307.030	196.165.815
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	3.445.290	3.196.742
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 (-)		-	-
E- Tangible Fixed Assets	6	693.803.644	616.339.449
1- Investment Properties	6,7	455.721.000	427.026.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Buildings for Own Use	6	194.296.000	161.310.000
4- Machinery and Equipments	6	80.830.314	56.957.217
5- Furnitures and Fixtures	6	20.572.714	19.688.504
6- Vehicles	6	4.048.489	1.894.818
7- Other Tangible Assets (Including Leasehold Improvements)	6	26.004.573	23.486.838
8- Leased Tangible Fixed Assets	6	3.858.074	3.858.074
9- Accumulated Depreciation (-)	6	(91.527.520)	(77.882.002)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	105.158.740	83.327.989
1- Rights	8	150.150.335	126.607.897
2- Goodwill	8	16.250.000	16.250.000
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(119.916.179)	(104.579.269)
8- Advances Regarding Intangible Assets	8	58.674.584	45.049.361
G- Prepaid Expenses and Income Accruals		9.646.135	6.690.268
1- Deferred Commission Expenses	17	9.445.638	6.639.202
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	4.2	200.497	51.066
H- Other Non-current Assets	21	30.913.525	22.161.260
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	30.913.525	22.161.260
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		1.043.901.796	930.087.227
TOTAL ASSETS		10.541.911.365	9.044.415.373

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period December 31, 2018	Audited-Restated(*) Prior Period December 31, 2017
A- Borrowings	19,20	53.578.314	110.802.339
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)	19,20	53.578.314	110.802.339
B- Payables From Main Operations	19	700.067.699	518.869.894
1- Payables Due to Insurance Operations	19	418.003.864	302.138.659
2- Payables Due to Reinsurance Operations	19	68.374.642	35.718.777
3- Cash Deposited by Insurance & Reinsurance Companies	19	9.088.597	9.247.311
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	210.877.517	171.765.147
6- Rediscount on Other Payables From Main Operations (-)		(6.276.921)	-
C- Due to Related Parties	19	370.388	362.820
1- Due to Shareholders	19	105.548	81.850
2- Due to Affiliates	19	38.024	36.133
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		214.924	220.377
6- Due to Other Related Parties		11.892	24.460
D- Other Payables	19	97.294.815	116.595.290
1- Deposits and Guarantees Received	19	9.454.992	6.282.082
2- Due to SSI regarding Treatment Expenses	19	32.118.883	31.604.313
3- Other Payables	19	56.972.083	79.390.665
4- Discount on Other Payables (-)	19	(1.251.143)	(681.770)
E- Insurance Technical Reserves	17	6.772.584.798	5.728.670.119
1- Unearned Premiums Reserve - Net	17	2.482.822.144	2.151.464.445
2- Unexpired Risk Reserves - Net	17	69.220.581	29.445.732
3- Mathematical Reserves - Net	17	73.795	116.109
4- Outstanding Claims Reserve - Net	17	4.220.468.278	3.547.643.833
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	57.436.673	59.324.763
1- Taxes and Dues Payable	19	49.975.341	40.881.289
2- Social Security Premiums Payable	19	4.252.897	3.612.955
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	106.996.427	96.767.913
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(103.787.992)	(81.937.394)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19	181.605.882	133.367.192
1- Deferred Commission Income	10,19	101.626.238	77.376.043
2- Expense Accruals	19	79.718.689	55.735.173
3- Other Deferred Income	19	260.955	255.976
I- Other Short Term Liabilities	23	2.399.183	1.878.908
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities	23	2.399.183	1.878.908
III - Total Short Term Liabilities		7.865.337.752	6.669.871.325

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

LIABILITIES

IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2018	Audited-Restated(*) Prior Period December 31, 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	17	277.542.294	211.872.440
1- Unearned Premiums Reserve - Net		808.205	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	276.734.089	211.872.440
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	23	79.817.185	68.568.329
1- Provision for Employment Termination Benefits	23	35.080.373	29.233.214
2- Provisions for Employee Pension Fund Deficits	22,23	44.736.812	39.335.115
H- Deferred Income and Expense Accruals	19	32.500	110.500
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	32.500	110.500
I- Other Long Term Liabilities	21	23.769.523	27.239.279
1- Deferred Tax Liability	21	23.769.523	27.239.279
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		381.161.502	307.790.548

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

EQUITY			
V- Equity	Note	Audited Current Period December 31, 2018	Audited-Restated(*) Prior Period December 31, 2017
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**144.260.431**	**129.183.348**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.245.511	23.723.323
4- Translation Reserves	15	(43.734.932)	(28.441.170)
5- Other Capital Reserves	15	163.749.852	133.901.195
C- Profit Reserves		**344.299.731**	**305.814.004**
1- Legal Reserves	15	123.041.486	104.684.320
2- Statutory Reserves	15	23.673.668	14.966.872
3- Extraordinary Reserves	15	284.629.618	179.927.446
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	(38.392.942)	52.911.805
6- Other Profit Reserves	15	22.407.950	24.383.610
7- Subsidiary Capital Correction	15	(71.060.049)	(71.060.049)
D- Previous Years' Profits		**302.129.975**	**295.004.364**
1- Previous Years' Profits		302.129.975	295.004.364
E- Previous Years' Losses (-)		**-**	**-**
1- Previous Years' Losses		-	-
F- Net Profit of the Period		**278.283.572**	**189.669.469**
1- Net Profit of the Period		276.733.853	189.669.469
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution	15	1.549.719	-
G- Minority Shares		**566.438.403**	**487.082.315**
Total Shareholders' Equity		**2.295.412.112**	**2.066.753.500**
Total Liabilities and Shareholders' Equity		**10.541.911.366**	**9.044.415.373**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

I-TECHNICAL SECTION	Note	Audited Current Period January 1-December 31, 2018	Audited-Restated(*) Prior Period January 1-December 31, 2017
A- Non-Life Technical Income		**6.127.934.961**	**4.978.734.613**
1- Earned Premiums (Net of Reinsurer Share)		4.595.193.500	4.180.416.012
1.1 - Written Premiums (Net of Reinsurer Share)	17	4.964.418.320	4.222.586.079
1.1.1 - Gross Written Premiums (+)	17	6.853.768.074	5.628.119.053
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(1.768.898.917)	(1.296.301.601)
1.1.3 - Ceded Premiums to SSI (-)	17	(120.450.837)	(109.231.373)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(329.449.972)	(17.775.925)
1.2.1 - Unearned Premiums Reserve (-)	17	(515.420.202)	(203.314.435)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	181.175.739	201.780.496
1.2.3 - SSI of Unearned Premiums Reserve (+)		4.794.491	(16.241.986)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	(39.774.848)	(24.394.142)
1.3.1 - Unexpired Risks Reserve (-)	17	(56.044.489)	(44.717.443)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	10,17	16.269.641	20.323.301
2- Investment Income Transferred from Non-Technical Part		1.303.922.345	698.707.059
3- Other Technical Income (Net of Reinsurer Share)		158.116.362	58.869.585
3.1 - Gross Other Technical Income (+)		158.100.575	58.865.675
3.2 - Reinsurance Share of Other Technical Income (-)		15.787	3.910
4- Accrued Subrogation and Salvage Income (+)		70.702.754	40.741.957
B- Non-Life Technical Expense (-)		**(5.532.972.288)**	**(4.636.804.108)**
1- Total Claims (Net of Reinsurer Share)		(4.057.956.679)	(3.380.543.580)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(3.384.771.125)	(2.741.342.291)
1.1.1 - Gross Claims Paid (-)	17	(4.058.510.395)	(3.294.941.135)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	673.739.270	553.598.844
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(673.185.554)	(639.201.289)
1.2.1 - Outstanding Claims Reserve (-)	17	(1.273.468.428)	(790.963.561)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	600.282.874	151.762.272
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 Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(66.314.743)	(57.055.818)
4- Operating Expenses (-)	32	(1.263.403.483)	(1.080.593.212)
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	(145.297.383)	(118.611.498)
6.1.- Gross Other Technical Expenses (-)		(149.998.088)	(121.529.377)
6.2.- Reinsurance Share of Other Technical Expenses (+)		4.700.705	2.917.879
C- Non Life Technical Net Profit (A-B)		**594.962.673**	**341.930.505**
D- Life Technical Income		**18.813.060**	**18.732.233**
1- Earned Premiums (Net of Reinsurer Share)		15.537.709	16.242.726
1.1 - Written Premiums (Net of Reinsurer Share)	17	18.253.642	14.582.105
1.1.1 - Gross Written Premiums (+)	17	20.314.687	15.929.503
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(2.061.045)	(1.347.398)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(2.715.933)	1.660.621
1.2.1- Unearned Premium Reserves (-)	17	(2.909.016)	1.610.673
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	193.083	49.948
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		3.194.833	2.393.978
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		80.518	95.529
4.1- Gross Other Technical Income (+/-)		89.933	99.116
4.2- Reinsurance Share of Other Technical Income (+/-)		(9.415)	(3.587)
5- Accrued Subrogation and Salvage Income (+)		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

I-TECHNICAL SECTION	Note	Audited Current Period January 1- December 31, 2018	Audited-Restated(*) Prior Period January 1- December 31, 2017
E- Life Technical Expense		**(13.374.290)**	**(19.687.047)**
1- Total Claims (Net of Reinsurer Share)		(5.607.798)	(14.784.249)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(5.968.908)	(14.424.544)
1.1.1- Gross Claims Paid (-)	17	(6.619.434)	(15.010.303)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	650.526	585.759
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	361.110	(359.705)
1.2.1 - Outstanding Claims Reserve (-)	17	(126.553)	(922.579)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	487.663	562.874
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) (+/-)	29	42.314	49.048
3.1- Mathematical Reserves (-)	29	42.314	49.048
3.1.1- Actuarial Mathematical Reserve (-)	29	42.314	49.048
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
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) (+/-)	29	(228.499)	(178.889)
5- Operating Expenses (-)	32	(7.580.307)	(4.772.957)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		**5.438.770**	**(954.814)**
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- Witholding 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)		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

II-NON-TECHNICAL SECTION	Note	Audited Current Period January 1- December 31, 2018	Audited-Restated(*) Prior Period January 1- December 31, 2017
C- Net Technical Income - Non-Life (A-B)		594.962.673	341.930.505
F- Net Technical Income - Life (D-E)		5.438.770	(954.814)
I - Net Technical Income - Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		600.401.443	340.975.691
K- Investment Income		1.987.569.297	1.136.625.775
1- Income From Financial Investment	4.2	492.185.973	366.403.590
2- Income from Sales of Financial Investments	4.2	133.806.090	49.294.001
3- Revaluation of Financial Investments	4.2	59.476.032	53.431.892
4- Foreign Exchange Gains	4.2	901.481.239	472.065.152
5- Income from Affiliates	4.2	53.479.268	47.584.280
6- Income from Subsidiaries and Joint Ventures	4.2	255.858	153.904
7- Income Received from Land and Building	7	49.194.811	57.319.827
8- Income from Derivatives	4.2	297.457.026	90.116.129
9- Other Investments		233.000	257.000
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expense		(1.963.482.363)	(1.071.281.739)
1- Investment Management Expenses (including interest) (-)	4.2	(2.012.996)	(1.231.961)
2- Valuation Allowance of Investments (-)	4.2	(8.864.845)	(1.118.002)
3- Losses On Sales of Investments (-)	4.2	(47.588.465)	(17.134.520)
4- Investment Income Transferred to Non-Life Technical Part (-)		(1.303.922.345)	(698.707.059)
5- Losses from Derivatives (-)	4.2	(66.177.031)	(179.274.294)
6- Foreign Exchange Losses (-)	4.2	(488.165.142)	(134.071.983)
7- Depreciation Expenses (-)	6,8	(31.457.767)	(30.088.247)
8- Other Investment Expenses (-)		(15.293.772)	(9.655.673)
M- Income and Expenses From Other and Extraordinary Operations		(99.458.473)	(35.073.584)
1- Provisions Account (+/-)	47	(84.220.628)	(43.838.199)
2- Discount account (+/-)	47	(10.405.221)	(12.174.788)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts (+/-)	35	2.333.561	18.150.973
6- Deferred Tax Expense Accounts (-)	35	(6.968.982)	-
7- Other Income and Revenues		2.014.470	3.271.280
8- Other Expense and Losses (-)		(2.211.673)	(482.850)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit for the Year		418.033.477	274.478.230
1- Profit/(Loss) Before Tax		525.029.904	371.246.143
2- Corporate Tax Liability Provision (-)	35	(106.996.427)	(96.767.913)
3- Net Profit (Loss)		418.033.477	274.478.230
3.1-Groups Profit/(Loss)		278.283.572	189.669.469
3.2-Minority Shares		139.749.905	84.808.761
4- Monetary Gains and Losses		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Audited-Restated Changes in Equity(*) - December 31, 2017

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2016	15	660.000.000	-	31.358.139	-
II - Change in Accounting Standards		-	-	-	-
III - Restated balances (I+II) -January 1, 2017		660.000.000	-	31.358.139	-
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B - Effects of changes in group structure		-	-	-	-
C - Purchase of own shares		-	-	-	-
D - Gains or losses that are not included in the statement of income		-	-	-	-
E - Change in the value of financial assets	15	-	-	21.553.666	-
F - Currency translation adjustments		-	-	-	-
G - Other gains or losses		-	-	-	-
H - Inflation adjustment differences		-	-	-	-
I - Net profit for the year		-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-
K - Dividends paid	38	-	-	-	-
IV - Balance at the end of the year - December 31, 2017	15	660.000.000	-	52.911.805	-

Audited Changes in Equity - December 31, 2018

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2017	15	660.000.000	-	52.911.805	-
II - Change in Accounting Standards		-	-	-	-
III - Restated balances (I+II) -January 1, 2018		660.000.000	-	52.911.805	
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B - Effects of changes in group structure		-	-	-	-
C - Purchase of own shares		-	-	-	-
D - Gains or losses that are not included in the statement of income		-	-	-	-
E -Change in the value of financial assets	15	-	-	(91.304.747)	
F - Currency translation adjustments		-	-	-	-
G - Other gains or losses		-	-	-	-
H - Inflation adjustment differences		-	-	-	-
I - Net profit for the year		-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-
K - Dividends paid	38	-	-	-	-
IV- Balance at the end of the year - December 31, 2018	15	660.000.000	-	(38.392.942)	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these consolidated financial statements.

Currency translation reserves	Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
(26.027.092)	90.232.526	10.220.997	197.768.811	181.244.361	197.937.817	1.342.735.559	416.992.280	1.759.727.839
-	136.308	-	2.430.415	15.131.314	68.561.491	86.259.528	-	86.259.528
(26.027.092)	90.368.834	10.220.997	200.199.226	196.375.675	266.499.308	1.428.995.087	416.992.280	1.845.987.367
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(8.231.543)	-	-	(8.231.543)	-	(8.231.543)
-	-	-	98.584	-	-	21.652.250	119.598	21.771.848
(2.414.078)	-	-	-	-	-	(2.414.078)	-	(2.414.078)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	189.669.469	-	189.669.469	84.808.761	274.478.230
-	14.315.486	4.745.875	98.809.258	(146.375.675)	28.505.056	-	-	-
-	-	-	-	(50.000.000)	-	(50.000.000)	(14.838.324)	(64.838.324)
(28.441.170)	104.684.320	14.966.872	290.875.525	189.669.469	295.004.364	1.579.671.185	487.082.315	2.066.753.500

Currency translation reserves	Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
(28.441.170)	104.543.229	14.966.872	288.358.779	189.520.109	295.707.526	1.577.567.150	487.082.315	2.064.649.465
-	141.091	-	2.516.746	149.360	(703.162)	2.104.035	-	2.104.035
(28.441.170)	104.684.320	14.966.872	290.875.525	189.669.469	295.004.364	1.579.671.185	487.082.315	2.066.753.500
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	28.070.557	(4.243.480)	4.142.862	27.969.939	1.554.267	29.524.206
-	-	-	-	-	-	(91.304.747)	(34.293.700)	(125.598.447)
(15.293.762)	-	-	-	-	-	(15.293.762)	-	(15.293.762)
-	-	-	(787)	(357.015)	5.324	(352.478)	(297.285)	(649.763)
-	-	-	-	-	-	-	-	-
-	-	-	-	278.283.572	-	278.283.572	139.749.905	418.033.477
-	18.357.166	8.706.796	105.027.587	(135.068.974)	2.977.425	-	-	-
-	-	-	-	(50.000.000)	-	(50.000.000)	(27.357.099)	(77.357.099)
(43.734.932)	123.041.486	23.673.668	423.972.882	278.283.572	302.129.975	1.728.973.709	566.438.403	2.295.412.112

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	Note	Audited Current Period January 1- December 31, 2018	Audited Prior Period January 1- December 31, 2017
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		6.217.874.160	5.164.303.853
2. Cash inflows from the reinsurance operations		1.560.801.817	1.216.258.445
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(6.691.818.297)	(5.104.249.941)
5. Cash outflows due to the reinsurance operations (-)		(948.559.583)	(890.576.172)
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		**138.298.097**	**385.736.185**
8. Interest payments (-)		-	-
9. Income tax payments (-)		(158.987.951)	(69.496.299)
10. Other cash inflows		725.532.183	1.208.846.984
11. Other cash outflows (-)		(965.050.706)	(1.285.537.090)
12. Net cash generated from the operating activities		**(260.208.377)**	**239.549.780**
B. CASH FLOWS FROM THE INVESTING ACTIVITIES		-	-
1. Sale of tangible assets		671.758	611.469
2. Purchase of tangible assets (-)	6, 8	(69.401.522)	(41.358.935)
3. Acquisition of financial assets (-)	11	(3.118.445.825)	(1.396.845.131)
4. Sale of financial assets	11	3.545.769.400	1.124.217.952
5. Interest received		681.114.162	476.296.946
6. Dividends received		9.536.171	7.327.798
7. Other cash inflows		1.292.565.031	390.215.670
8. Other cash outflows (-)		(2.117.367.345)	(335.951.255)
9. Net cash generated from the investing activities		**224.441.830**	**224.514.514**
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 (-)		(75.598.370)	(64.822.707)
5. Other cash inflows		-	-
6. Other cash outflows (-)		(2.032.534)	(17.820.655)
7. Cash generated from the financing activities		**(77.630.904)**	**(82.643.362)**
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**1.556.929**	**16.571.266**
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		**(111.840.522)**	**397.992.198**
F. Cash and cash equivalents at the beginning of the period	14	**3.284.527.813**	**2.886.535.615**
G. Cash and cash equivalents at the end of the period (E+F)	14	**3.172.687.291**	**3.284.527.813**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	Note	Audited Current Period December 31, 2018(*)	Audited Prior Period December 31, 2017
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT(*)		309.275.069	150.503.442
1.2. TAX AND FUNDS PAYABLE	35	(27.682.983)	(44.131.400)
1.2.1. Corporate Income Tax (Income Tax)	35	(27.682.983)	(44.131.400)
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and Duties		-	-
A NET PROFIT (1.1 - 1.2)		281.592.086	106.372.042
1.3. PREVIOUS PERIOD LOSSES (-)		-	
1.4. FIRST LEGAL RESERVE		(14.079.604)	(5.318.602)
1.5. STATUTORY FUND (-)		-	-
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		267.512.482	101.053.440
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(10.105.344)
1.6.1. Holders of shares		-	(10.105.344)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profıt and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	(2.728.443)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(39.894.656)
1.9.1. Holders of shares		-	(39.894.656)
1.9.2. Holders of Preferred shares		-	-
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profıt and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	(1.972.844)
1.11. STATUTORY RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(46.352.153)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2 Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4 Holders of Participation Bond		-	-
2.3.5 Holders of Profıt and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. HOLDERS OF SHARES		-	106.372.042
3.2. HOLDERS OF SHARES (%)		-	16,1170
3.3. HOLDERS OF PREFERRED SHARES		-	-
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. HOLDERS OF SHARES		-	50.000.000
4.2. HOLDERS OF SHARES (%)		-	7,5758
4.3. HOLDERS OF PREFERRED SHARES		-	-
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2018 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) Reserve for personnel dividend amounting to TL 3.378.675 that recognized according to TAS 19 is included in period profit as of December 31, 2018.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

1 General information

1.1 Name of the Company and the ultimate owner of the group

As of December 31, 2018, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76,64% of the outstanding shares.

The Company was established in February 26, 1929 and has been operating since in July 19, 1929.

On September 30, 2010, the Company purchased 35,53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57,31% and investment increased to TL 286.550.106.

The consolidated financial statements as of December 31, 2018 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

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 was registered in Turkey in July 16, 1929 and has the status of "Incorporated Company". The address of the Company's registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Main operations of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly Casualty, health, Land Vehicles, aircraft, ships, marine, Fire and Natural Disasters, general losses, credits, financial losses, and legal protection. As at December 31, 2018, the Company serves through 2.319 agencies of which 2.220 authorized and 99 unauthorized agencies. (December 31, 2017: 2.215 authorized 99 unauthorized total 2.314 agencies)

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

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Ministry of Treasury and Finance (the "Ministry of Treasury and Finance") based on the Insurance Law.

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows:

- Providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- Managing and participating in reinsurance operations of Pools,
- Purchasing, selling, constructing and renting real estates,
- Purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("BIST"). In accordance with Paragraph 5 Article 136 in Section VIII of the Capital Markets Law numbered 6362, insurance companies have to comply with their own specific laws and regulations in matters of establishment, supervision/oversight, accounting and independent auditing standards; therefore, Anadolu Sigorta performs its operations accordingly.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

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

The average number of the personnel during the year in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Top executive	12	13
Managers	70	71
Assistant managers	181	171
Contracted personnel	6	6
Advisors	2	2
Specialist/ Senior/ Other personnel	1.201	1.153
Total	**1.472**	**1.416**

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2018, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 15.180.272. (December 31, 2017: TL 13.250.296).

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Republic of Turkey Ministry of Treasury and Finance.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Republic of Turkey Ministry of Treasury and Finance or by the Company itself. In accordance with the approval of the Republic of Turkey Ministry of Treasury and Finance, dated March 6, 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income are distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", net cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at December 31 2018, the Company owns 57.31% of its subsidiary, Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ ("Anadolu Hayat") is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% (effective percentage of share: 12,46%) and Miltaş Turizm İnşaat Ticaret A.Ş. is associate of Anadolu Sigorta and is consolidated by equity method with share of 77.00% in the consolidated financial statements as at December 31, 2018 and 2017.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of Casualty, health, general losses, Land Vehiclesss liability, aircraft liability, general liability, credits, financial losses and legal protection.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal Casualty branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

The Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis. The International Insurance Tennis Tournament has been held every June at this Complex since 1986, providing a unique environment for local and foreign reinsurers and brokers. In addition to tennis and basketball courses organized every year for youngsters, private tennis lessons are available for adults in the Complex.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company:	www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

The financial statements for the period January 1 - December 31, 2018 have been approved by the Board of Directors on 28 February 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 Anadolu Sigorta and Anadolu Hayat, subsidiaries of the Company, complies with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Group maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Republic of Turkey Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (''Individual Retirement Law'').

In the Article 4 of related regulation, procedures and principles related to insurance contracts, recognition of subsidiaries, jointly controlled associations and associates and formation of consolidated financial statements, financial statements disclosed to public, and explanations related to these statements will be determined by Communiqués issued by Republic of Turkey Ministry of Treasury and Finance.

The form and content of financial statements of companies is regulated by "Communiqué on Presentation of Financial Statements" that is published in Official Gazette dated April 18, 2008 and numbered 26851 in order for comparison of financial statements with previous period and other companies' financial statements.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

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

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 - Financial Reporting in Hyperinflationary Economies" as of December 31, 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, consolidated financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2017 and nine-month results as at and for the period ended September 30, 2018 and accordingly related balance sheet balances as of December 31, 2018 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in *"Note 2.1.1 - Information about the principles and the specific accounting policies used in the preparation of the financial statements"* and each under its own caption in the following sections of this report.

2.1.3 Valid and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group's valid reporting currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2018, premiums obtained from foreign proportioned treaties are accounted on the basis of average

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1, 2018 - December 31, 2018. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as of December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as of December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two seperate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non-agriculture sub branches seperately.

Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As at December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 - *Significant accounting estimates and requirements*.

Miltaş Turizm İnşaat Ticaret A.Ş., which is the subsidiary of the Company, is subject to the exceptions predicted in the Consolidation Communiqué; As the total assets of the subsidiary are less than one percent of the Company's total assets, they are excluded from the scope of full consolidation and the retrospective effects of the amendments using the equity method defined in the relevant TFRS are shown below:

Restatement of detailed the balance sheet as of December 31, 2017:

Detailed Balance Sheet	Previously Reported	Restated	Effect	(*)
	December 31, 2017	December 31, 2017		
II- Non-Current Assets	**927.983.192**	**930.087.227**	**2.104.035**	**B**
D- Financial Assets	**197.258.522**	**199.362.557**	**2.104.035**	**B**
4- Subsidiaries	1.092.707	3.196.742	2.104.035	B
V- Equity	**2.064.649.465**	**2.066.753.500**	**2.104.035**	**B**
C- Profit Reserves	**303.156.167**	**305.814.004**	**2.657.837**	**B**
1- Legal Reserves	104.543.229	104.684.320	141.091	B
6- Other Profit Reserves	21.866.864	24.383.610	2.516.746	B
D- Previous Years' Profits	**295.707.526**	**295.004.364**	**(703.162)**	**B**
1- Previous Years' Profits	295.707.526	295.004.364	(703.162)	B
F- Net Profit of the Period	**189.520.109**	**189.669.469**	**149.360**	**B**
1- Net Profit of the Period	189.520.109	189.669.469	149.360	B

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Restatements of the detailed income statement as of January 1 to December 31, 2017

Detailed Income Statement	Previously Reported	Restated	Effects	(*)
	January 1 - December 31, 2017	January 1 - December 31, 2017		
K- Investment Income	1.136.476.415	1.136.625.775	149.360	B
6- Income from Subsidiaries and Joint Ventures	4.544	153.904	149.360	B
N- Net Profit/ (Loss)	274.328.870	274.478.230	149.360	B
1- Profit/(Loss) Before Tax	371.096.783	371.246.143	149.360	B
3.1- Groups Profit/(Loss)	189.520.109	189.669.469	149.360	B

(*) The effects of the restatements are described in paragraphs A and B below.

Restatement of the detailed balance sheet as of January 01, 2017:

Detailed Balance Sheet	Previously Reported	Restated	Effects	(*)
	January 01, 2017	January 01, 2017		
II- Non-Current Assets	849.909.045	841.636.005	(8.273.040)	A-B
D- Financial Assets	183.088.026	185.042.700	1.954.674	B
4- Subsidiaries	1.092.707	3.047.381	1.954.674	B
H- Other Non-current Assets	10.227.714	-	(10.227.714)	A
5- Deferred Tax Assets	10.227.714	-	(10.227.714)	A
III- Short-Term Liabilities	5.988.373.913	5.882.992.846	(105.381.067)	A
E- Insurance Technical Reserves	5.154.029.795	5.048.648.727	(105.381.068)	A
2- Unexpired Risk Reserves - Net	12.888.197	5.051.590	(7.836.607)	A
4- Outstanding Claims Reserve - Net	3.005.627.300	2.908.082.839	(97.544.461)	A
IV- Long-Term Liabilities	208.888.988	219.737.488	10.848.500	A
I- Other Long Term Liabilities	-	10.848.500	10.848.500	A
1- Deferred Tax Liability	-	10.848.500	10.848.500	A
V- Equity	1.759.727.839	1.845.987.367	86.259.528	A-B
C- Profit Reserves	165.559.918	168.126.641	2.566.723	B
1- Legal Reserves	90.232.526	90.368.834	136.308	B
6- Other Profit Reserves	23.381.673	25.812.088	2.430.415	B
D- Previous Years' Profits	197.937.817	266.499.308	68.561.491	A-B
1- Previous Years' Profits	197.937.817	266.499.308	68.561.491	A-B
F- Net Profit of the Period	181.244.361	196.375.675	15.131.314	A-B
1- Net Profit of the Period	181.235.711	196.367.025	15.131.314	A-B

(*) The effects of the restatements are described in paragraphs A and B below.

A. Effects of restatements according to the Circular 2017/7 announced by the Republic of Turkey Ministry of Treasury and Finance are as follows

With the Circular 2017/7 announced by the Republic of Turkey Ministry of Treasury and Finance regarding "the discount of net cash flow from outstanding claim files".Since the discount of "Land Vehicle Liability" and "General Liability" branches hasbecome compulsory according to theArticle 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

B. "Impact of amendments regarding TAS 27 - "Consolidated and Separate Financial Statements"

Miltaş Turizm İnşaat Ticaret A.Ş., which is a subsidiary of the company, is not covered by the scope of full certification since total assets of the aforementioned subsidiary is less than one percent of total assets of the Company in the framework of exemption, foreseen in the Communique on Consolidation, and financial statements of Miltaş have been recognized in accordance with equity method.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Republic of Turkey Ministry of Treasury and Finance in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method.

Anadolu Hayat which is associate of Anadolu Sigorta and Miltaş which is the subsidiary of the Company are consolidated by the equity method.

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for Miltaş as of December 31, 2018 and 2017 by the equity method as mentioned above.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat and Miltaş which are consolidated using equity method is presented in Note 9.

	Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders' equity	Prior period loss	Current period profit
December 31, 2018	Anadolu Sigorta (consolidated)	57,31%	57,31%	7.576.987.749	1.319.162.272	80.319.522	324.506.976
December 31, 2017	Anadolu Sigorta (consolidated)	57,31%	57,31%	6.529.419.178	1.136.126.006	75.051.095	201.514.988

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2018 and 2017, the Group operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Group's valid currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in "valuation of financial assets" in equity.

2.5 Tangible assets

Except buildings for own use, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

Increase arising from the revaluation of buildings for own use are presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Lands are not amortised due to their unlimited useful life. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset or revaluated amounts.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets at cost.

Depreciation rates and estimated useful lives are as follows

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings for own use	50	2,0
Fixtures and installations	3 - 16	6,7 - 33,3
Machinery and equipment	3 - 16	6,7 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5 - 10	10,0 - 20,0
Leased Assets	4 -10	10,0 - 25,0

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement.

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.

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.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassified as a tangible asset.

2.7 Intangible assets

The Group's intangible assets consist of computer software, goodwill and advances on intangible assets.

Intangible assets are recorded at cost in compliance with the "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Group 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 are amortized over their estimated useful lives (not exceeding three years).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. as of August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Group.

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying consolidated financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - Derivative financial instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the consolidated statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

In the accompanying consolidated financial statements, Anadolu Hayat, associate of the Group, has been consolidated by using the equity method of accounting.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Impairment on tangible and intangible assets

On each balance sheet date, the Group evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "*TAS 36* - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - Financial Instruments: Recognition and measurement.

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as " income accruals" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Group's similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Group or not blocked for any other purpose.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As of December 31, 2018 and 2017, the share capital and ownership structure of the Company are as follows:

	December 31, 2018		December 31, 2017	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid Capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

Sources of capital increases during the period

The company has not performed capital increase as of December 31, 2018 (December 31, 2017: None).

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption "written premiums".

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Group acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As at the reporting date, the Group does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
- (3) the profit or loss of company, fund or other entity that issues the contract.

As of balance sheet date, the Group does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts with discretionary participation feature

As of the reporting date, the Group does not have any insurance contracts and investment contracts without discretionary participation feature.

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Group are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 20%.(However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be retrospectively offset against the profits of previous years.

In case where gains/losses resulting from the revaluation of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Anadolu Anonim Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on 8 May 2011. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 2015. The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) sub clause of first sub articles of 4th article of related law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2018 is TL 5.434 (December 31, 2017: TL 4.732).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4,22%	4,21-4,25%
Expected rate of salary/limit increase	11,30%	6,00-7,00%
Estimated employee turnover rate	2,00-3,29%	2,00-3,27%

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Other benefits

The Group has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset 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 Group. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as "written premiums, ceded" in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly payrolls.

Claims paid

Claims paid represent payments of the Group as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognized as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 53.427.320 (December 31, 2017: TL 47.325.075) subrogation receivables and recorded TL 60.020.233 (December 31, 2017: TL 50.653.264) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 16.172.744 (December 31, 2017: TL 8.337.019) (Note 12) in accordance with circular.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

For the years ended December 31, 2018 and 2017, salvage and subrogation collected are as follows:

	December 31, 2018	December 31, 2017
Land Vehicles	423.241.868	375.105.975
Land Vehicless Liability	17.588.788	13.422.397
Fire and Natural Disasters	5.764.609	4.521.486
Marine	1.825.561	1.485.087
Sea Vehicles	1.708.765	1.004.392
General Damages	539.786	307.007
General Liability	522.635	812.773
Credit	43.431	-
Casualty	29.510	28.880
Legal Protection	-	475
Financial Losses	-	144.816
Total	**451.264.953**	**396.833.288**

As of December 31, 2018 and 2017, accrued subrogation and salvage income per branches is as follows:

	December 31, 2018	December 31, 2017
Land Vehicles	37.986.441	37.076.373
Land Vehicles Liability	14.347.839	5.926.818
Fire and Natural Disasters	4.819.028	1.321.152
General Damages	1.052.905	1.657.069
Marine	1.546.994	2.991.999
Casualty	232.209	1.544.801
Sea Vehicles	34.817	122.868
General Liability	-	12.184
Total	**60.020.233**	**50.653.264**

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

Interest income and expenses

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability except for the financial assets at fair value through profit or loss.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Dividends

Dividend income is recognized when the Group's right to receive payment is ascertained.

2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a cash dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833, obtained from 2017 activities of the Company, after the legal reserves are allocated. Amounting to TL 49.984.383 is paid in cash and amounting to TL 15.617 is accounted in due to shareholders under the short-term liabilites. (December 31, 2017: TL 50.000.000).

2.24 Unearned premiums reserve

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross written premiums without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

Unearned premium reserves are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Group: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates reserve for unearned premiums for ceded premium as retrocedant on the same basis.

Unearned premiums reserve is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Unearned premiums reserve is also calculated for the annual premiums of the annually renewed long term insurance contracts.

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross written premiums without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Since the Communiqué on Technical Reserves was effective from January 1, 2008, the Republic of Turkey Ministry of Treasury and Finance issued July 4, 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after June 14, 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 which published by Republic of Turkey Ministry of Treasury and Finance reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be used, unless there is a specified exchange rate in the agreement.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

As of the reporting date, the Group has provided unearned premiums reserve amounting to TL 3.280.229.790 (December 31, 2017: TL 2.761.900.572) and reinsurer share in unearned premiums reserve amounting TL 732.987.716 (December 31, 2017: TL 551.618.894) Furthermore, unearned premiums reserve includes Social Security Institution ("SSI") share amounting to TL 63.611.725 (December 31, 2017: TL 58.817.233).

2.25 Outstanding claims reserves

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" and 2010/12 numbered "Circular regarding actuarial chain ladder method"of Republic of Turkey Ministry of Treasury and Finance is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as "Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson.

The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company's actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Republic of Turkey Ministry of Treasury and Finance according to Article 11 of Actuaries Regulation. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back and to calculate the damage growth factors.

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer's liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

Anadolu Sigorta uses 9% which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Outstanding Claim Reserves And Their Discounts" numbered 2016/22 which regulates the processes involving the discount of cash flow from outstanding claims reserve.

Anadolu Sigorta has used the gradual transition curve which was published by the Republic of Turkey Ministry of Treasury and Finance "General Instructions Regarding to the Changes in the General Instructions Regarding Outstanding Claim Reserves (2014/16)" which was published in February 29th, 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as of December 31, 2016 and has continued to use same method in the current period.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Anadolu Sigorta, according to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Land Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the "Risk Insured Pool" has been established for those vehicle groups with high damage frequencies. In this context, the premiums and damages related to the traffic insurance policies issued within the scope of the pool starting on April 12, 2017 have started to be shared among insurance companies within the framework of the principles determined by the Undersecretariat of Turkish Motor Vehicle Office.

After the change in legislation, by the Turkish Motor Vehicles office (TMTB) within the scope of monthly declarations, accounting records were created on premiums, damages and commission amounts transferred the pool and transferred to the pool according to its share, and also accounting was made for the amounts for the period not yet communicated by the Turkish Motor Vehicles office.

Except for the life branch, outstanding claims reserves consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.Methods for the calculation of provision for incurred but not reported claims are determined by the Republic of Turkey Ministry of Treasury and Finance in the life-branch. The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

	December 31, 2018		December 31, 2017	
Branches	Milli Reasürans	Anadolu Sigorta	Milli Reasürans	Anadolu Sigorta
Fire and Natural Disasters	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Land Vehicles Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Marine	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles Liabilities	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2018)	-	Sector Average (Insurance Association of Turkey 09/2017)	--
Financial Losses	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain
Credit	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain
Life	Sector Average (Insurance Association of Turkey 09/2018)	-	Sector Average (Insurance Association of Turkey 09/2017)	--
Facultative Third Party Liability	-	Standard Chain	--	Standard Chain

(*) Two separate calculations have been made as agriculture and non agriculture sub branches. (Milli Reasürans T.A.Ş.).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated 6 November 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for ships, aircraft liability, Fidelity Guarantees, financial losses, credits and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

According to December 5, 2014 dated "Circular regarding Outstanding Claims Reserves (2014/16)" of Republic of Turkey Ministry of Treasury and Finance, the Company constitutes data by taking base of acceptance year rather than Casualty period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

Anadolu Sigorta has established rules on sharing of premium and damage with respect to Compulsory Financial Liability Insurance regarding Medical Malpractice in accordance with the Communique on Making Amendments on the Communique on Procedures and Principles regarding Corporate Contribution in Compulsory Financial Liability Insurance related to Medical Malpractice (2010/1), which has entered into force through being published on Official Gazette dated October 7, 2017 and numbered 30203. It was decided that Güneş Sigorta A.Ş., which has a license for General Liability Insurance, shall carry out transactions regarding aforementioned allocation. In this scope, premium and damage amounts, which are associated with policies, issued as of October 1, 2017, are commenced to be allocated amount insurance companies in the framework of principles, determined by Ministry of Treasury and Finance

Anadolu Sigorta has issued accounting records based on premium, damage and commission amounts, which were transferred to/from the pool proportionally in scope of the monthly receipts, which are finally submitted by Güneş Sigorta A.Ş upon the respective amendment in the legislation and moreover, it has ensured that amounts, whose receipts have not been submitted yet, are included in the financial statements through carrying our related studies.

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Under secretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Outstanding Claims Reserve" of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Losses main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Losses within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Losses branch.

With the Circular 2017/7 announced by the Republic of Turkey Ministry of Treasury and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of the reporting date, as a result of actuarial chain ladder method; Milli Reasürans except Singapore branch recorded 100% of additional negative IBNR amounting to 207.059.238 (31 December 2017: TL 131.488.022 negative IBNR). As of the reporting date, TL 32.558.565 (31 December 2017: TL 13.602.239) of IBNR provision is recorded for Singapore branch. As of the reporting date, TL 1.603.007.807 of IBNR provision is recorded by Anadolu Sigorta (December 31, 2017: TL 1.438.700.495).

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" and dated November 26, 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in outstanding claims reserves could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio between 15%-25% from the last five year data set and TL 254.976.831 (December 31, 2017: TL 182.575.898) as IBNR and TL 40.568.170 (December 31, 2017: TL 30.415.385) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2017 is within 0%-100% range (December 31, 2017: 0%-100%). Winning ratios used in and amounts decreased from outstanding claims reserves are as follows:

December 31, 2018			
Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	101.800.905	88.183.585
Land Vehicles Liability (MTPL)	11%	90.400.461	87.817.173
Fire and Natural Disasters	25%	34.151.960	17.293.818
Land Vehicles	25%	12.126.277	12.027.885
General Damages	25%	5.249.453	2.809.065
Marine	25%	5.321.412	2.115.594
Casualty	22%	3.468.583	2.178.506
Sea Vehicles	25%	1.734.746	1.260.001
Credit	25%	712.439	712.439
Legal Protection	25%	10.595	10.595
Total		254.976.831	214.408.661

December 31, 2017			
Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	74.714.664	65.998.305
Land Vehicles Liability (MTPL)	10%	62.120.743	61.236.662
Fire and Natural Disasters	25%	25.698.638	11.128.770
Land Vehicles	22%	8.048.030	7.958.337
General Damages	25%	4.214.820	1.646.063
Marine	25%	3.920.234	1.599.097
Casualty	21%	2.320.622	1.366.437
Sea Vehicles	25%	769.345	484.519
Credit	25%	726.931	726.931
Financial Losses	4%	38.485	12.006
Legal Protection	25%	3.386	3.386
Total		182.575.899	152.160.513

2.26 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal Casualty insurance contracts. Actuarial mathematical reserves, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical reserves are recorded based on the data sent by ceding companies.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net -outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period -unearned premiums reserve, net at the end of the period).

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 28356 dated 17 July 2012; besides the net unexpired risk reserves detailed in the above, gross unexpired risk reserve is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the unearned premiums reserve of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. In order to eliminate the misleading impact of change in calculation method of outstanding claims reserves, outstanding claims reserves of the previous period is calculated by the new method and the amount calculated by the new method as outstanding claims reserves at the beginning of the period is used for calculation of reserve for unexpired risk.

Unexpired risks reserve is calculated on the basis of main branches, within the context of circular of Republic of Turkey Ministry of Treasury and Finance, numbered 2012/15 and dated December 10, 2012.

According to the Circular numbered 2011/18, the Company excluded both the premiums and claims transferred to SSI from calculation of reserve for unexpired risks in Land Vehicles Third Party Liability, Compulsory Third Party Liability Insurance for Road Passanger Transportation and Compulsory Road Passenger Transportation Personal Casualty branches.

According to the Circular numbered 2015/30, the opening outstanding claims reserve amount used in the determination of the expected loss premium ratio, which is set for outstanding risk reserves calculation is redefined in a manner consistent with the current period as of December 31, 2018.

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

According to the related test, as at the reporting date, the Group has provided net unexpired risk reserves amounting to TL 69.220.581 in the accompanying consolidated financial statements (December 31, 2017: TL 29.445.732).

Net and gross unexpired risk reserves are calculated by multiplying the exceeding portion of the expected claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 95% for the year 2016, 90% for the year 2017 and 85% for the year 2018. The Company, as a reinsurance company, indicated that usage of Casualty year for the calculation is not possible and demanded the following particulars;
- Calculation of unexpired risk reserves on the basis of business year,
- Calculation of unexpired risk reserves once a year and using portion that calculated on previous year-end in the interim periods,
- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/ total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year. Republic of Turkey Ministry of Treasury and Finance has accepted the demand of the Company as appropriate with the letter dated December 30, 2016 and numbered 38681552-306.99-E.36992.

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net written premiums in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 276.734.089 (December 31, 2017: TL 211.872.440).

As of December 31, 2018, the Group has deducted TL 5.834.920 (December 31, 2017: TL 4.070.305) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Company if;

(a) Directly, or indirectly through one or more intermediaries, the party:
- Controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- Has an interest in the Company that gives it significant influence over the Company; or
- Has joint control over the Company;

(b) The party is an associate of the Company;
(c) The party is a joint venture in which the Company is a venturer;
(d) The party is member of the key management personnel of the Company and its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
(g) The party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

2.30 Earnings per share

Earnings per share presented in the income statement are 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 years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions.

2.31 Subsequent events

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

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has postponed its transition date to IFRS 15 to January 1, 2021 in accordance with "Communique on Transition Date of Insurance and Pension Companies to IFRS 15", dated October 23, 2018 and numbered 2018/4 and published by Ministry of Treasury and Finance.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. As an alternative, enterprises may prefer early implementation of provisions regarding representation of profit or loss of financial liabilities, which are established only as "fair value through profit or loss", without applying other requirements of the respective standard. The company continues to apply requirements of TAS 39 since companies, whose activities are mainly associated with insurance, are exempted to optionally implement IFRS 9 Financial Instruments standards until 2021.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on January 1, 2018. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- TFRS 1 "Initial Implementation of International Financial Reporting Standards": This amendment has abolished short term exemptions of certain TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Enterprises. Amendment is applicable for annual accounting periods, starting on and after January 1, 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Annual Improvements - 2015-2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015-2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3 Significant accounting estimates and requirements

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 - Management of insurance risk and note 4.2 - Financial risk management.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Note 17 - Insurance contract liabilities and reinsurance assets

Note 17 - Deferred acquisition costs

Note 19 - Trade and other payables and deferred income

Note 21 - Deferred income taxes

Note 23 - Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability

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

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Group and coverage portion transfers to policyholders and transfer conditions.

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Risk tolerance is determined by Board of Directors by considering the Groups long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Group can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over Group's financial structure, company transfers the exceeding portion of risks assumed over the Group's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Insurance risk concentrations

The Group's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

	December 31, 2018		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	1.019.615.451	(171.591.278)	848.024.173
Land Vehicles	846.284.750	(17.468.973)	828.815.777
Fire and Natural Disasters	711.809.536	(126.285.294)	585.524.242
Health	565.574.715	(32.170.327)	533.404.388
General Damages	427.442.407	(79.219.640)	348.222.767
General Liability	150.961.531	(66.244.727)	84.716.804
Sea Vehiles	71.428.970	(20.696.660)	50.732.310
Casualty	54.389.627	(7.190.014)	47.199.613
Marine	75.791.257	(31.462.960)	44.328.297
Air Vehicles	77.958.925	(67.604.041)	10.354.884
Life	6.619.434	(650.525)	5.968.909
Financial Losses	3.740.744	(1.822.917)	1.917.827
Fidelity Guarantees	739.320	(10)	739.310
Air Vehicles Liability	50.877.464	(50.452.669)	424.795
Credits	1.667.314	(1.529.761)	137.553
Sea Vehiles Liability	128.186	-	128.186
Legal Protection	100.198	-	100.198
Total	**4.065.129.829**	**(674.389.796)**	**3.390.740.033**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2017		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	760.470.215	(23.933.307)	736.536.908
Land Vehicles	716.831.060	(22.123.590)	694.707.470
Fire and Natural Disasters	609.435.692	(160.698.754)	448.736.938
Health	414.379.027	(25.540.811)	388.838.216
General Damages	333.826.800	(63.053.016)	270.773.784
General Liability	67.891.271	(7.929.900)	59.961.371
Sea Vehiles	83.104.425	(32.903.093)	50.201.332
Casualty	49.643.113	(7.228.749)	42.414.364
Marine	56.393.114	(13.004.328)	43.388.786
Life	15.010.302	(585.759)	14.424.543
Air Vehicles	159.260.684	(156.660.724)	2.599.960
Financial Losses	14.450.056	(12.348.494)	2.101.562
Air Vehicles Liability	25.717.182	(25.261.475)	455.707
Fidelity Guarantees	399.558	-	399.558
Credits	3.069.415	(2.912.603)	156.812
Legal Protection	81.864	-	81.864
Sea Vehiles Liability	(12.340)	-	(12.340)
Total	**3.309.951.438**	**(554.184.603)**	**2.755.766.835**

(*) Total claims liability includes outstanding claims reserve (paid).

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

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Group's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Group monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Group's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Group fails to meet its contractual obligations. The Group manages this credit risk by regularly assessing reliability of the counterparties.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Net book value of the assets that is exposed to credit risk is shown in the table below.

	December 31, 2018	December 31, 2017
Cash and cash equivalents *(Note 14)* (*)	5.815.801.420	4.727.828.293
Receivables from main operations *(Note 12)*	1.833.933.318	1.355.731.258
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	1.009.552.468	1.322.268.089
Reinsurer share in outstanding claims reserves *(Note 10), (Note 17)*	1.195.809.112	595.038.575
Prepaid taxes and funds *(Note 12)*	38.869.531	-
Income accruals *(Note 12)*	88.437.494	31.213.090
Other receivables *(Note 12)*	30.607.644	22.455.659
Other current asset *(Note 12)*	624.023	1.014.306
Total	10.013.635.010	8.055.549.270

(*) Cash on hands balance amounting to TL 70.338 are not included (December 31, 2017: TL 68.699).

(**) Equity shares amounting to TL 178.042.246 are not included (December 31, 2017: TL 232.333.099).

December 31, 2018 and 2017, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2018		December 31, 2017	
	Gross amount	Provision	Gross amount	Provision
Not past due	1.466.861.226	-	1.078.593.595	-
Past due 0-30 days	263.048.540	(2.288.174)	193.751.038	(1.992.510)
Past due 31-60 days	37.375.749	(2.525.052)	26.504.805	(1.486.876)
Past due 61-90 days	17.223.622	(2.004.030)	28.126.173	(1.783.910)
More than 90 days (*)	387.724.489	(331.483.052)	281.291.845	(247.272.902)
Total	2.172.233.626	(338.300.308)	1.608.267.456	(252.536.198)

(*) As per the February 3, 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Republic of Turkey Ministry of Treasury and Finance, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The movements of the allowances for impairment losses for receivables from main operations during the period are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the year	**244.199.179**	**205.725.572**
Collections during the period *(Note 47)*	(596.362)	(591.941)
Impairment losses provided during the period *(Note 47)*	2.440.564	1.079.389
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	68.986.591	36.875.264
Valuation of doubtful receivables *(Note 47)*	7.097.592	1.110.895
Provision for receivables from insurance operations at the end of the year	**322.127.564**	**244.199.179**

(*) As of December 31, 2018 subrogation and salvage receivables is not included in the movement table of the provision for doubtful receivables amounting to TL 16.172.744.

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2018	December 31, 2017
Provision for other receivables at the beginning of the year	(53.177)	(53.177)
Collections during the period *(Note 47)*	(356.186)	-
Provision for other receivables at the end of the year	**(409.363)**	**(53.177)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Group's cash inflows and outflows in terms of maturity and volume.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Group is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/ Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/ Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Group considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Maturity distribution of monetary assets and liabilities:

December 31, 2018	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	5.815.792.507	2.502.337.674	2.041.525.765	986.955.328	284.973.740	-
Financial assets and financial investments with risks on policyholders(*)	1.009.552.468	432.870.107	18.042.720	39.715.838	35.745.940	483.177.863
Receivables from main operations	1.833.933.318	246.008.892	531.636.401	514.426.226	534.026.856	7.834.943
Other receivables and current assets	160.483.444	148.505.577	3.641.414	2.062.089	4.646.931	1.627.433
Total monetary assets	8.819.761.737	3.329.722.250	2.594.846.300	1.543.159.481	859.393.467	492.640.239
Liabilities						
Financial liabilities	53.578.314	51.045.641	2.527.565	5.108	-	-
Payables arising from main operations	700.067.699	249.736.427	97.059.335	139.499.409	213.772.528	-
Due to related parties	370.388	370.388	-	-	-	-
Other liabilities	97.294.815	48.408.998	39.430.825	-	-	9.454.992
Insurance technical reserves (**)	4.220.468.278	229.614.168	451.260.591	267.699.186	339.868.250	2.932.026.083
Provisions for taxes and other similar obligations	57.436.673	57.436.673	-	-	-	-
Provisions for other risks and expense accruals	161.935.057	39.516.670	15.330.447	-	25.659.629	81.428.311
Total monetary liabilities	5.291.151.224	676.128.965	605.608.763	407.203.703	579.300.407	3.022.909.386

(*) Equity shares amounting to TL 178.042.246 are not included.

(**) Outstanding claims reserve is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

December 31, 2017	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	4.727.809.372	2.340.765.964	1.225.315.897	1.161.727.511	-	-
Financial assets and financial investments with risks on policyholders(*)	1.322.268.089	896.682.036	6.072.043	3.093.332	3.636.781	412.783.897
Receivables from main operations	1.355.731.258	209.414.249	465.095.198	422.146.562	240.288.180	18.787.069
Other receivables and current assets	55.476.635	47.514.629	400.486	1.671.027	3.684.789	2.205.704
Total monetary assets	7.461.285.354	3.494.376.878	1.696.883.624	1.588.638.432	247.609.750	433.776.670
Liabilities						
Financial liabilities	110.802.339	108.072.424	-	2.729.915	-	-
Payables arising from main operations	518.869.894	187.645.069	78.034.089	93.428.986	159.761.750	-
Due to related parties	362.820	362.820	-	-	-	-
Other liabilities	116.595.290	64.928.832	45.384.376	-	-	6.282.082
Insurance technical reserves (**)	3.547.643.833	202.561.915	381.060.259	226.832.656	287.309.067	2.449.879.936
Provisions for taxes and other similar obligations	59.324.763	59.324.763	-	-	-	-
Provisions for other risks and expense accruals	126.182.410	5.631.417	17.357.441	-	29.067.524	74.126.028
Total monetary liabilities	4.479.781.349	628.527.240	521.836.165	322.991.557	476.138.341	2.520.288.046

(*) Equity shares amounting to TL 232.333.099 are not included.

(**) Outstanding claims reserve is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Group is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The Group's exposure to foreign currency risk is as follows:

December 31, 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	449.524.875	69.200.637	8.058.407	526.783.919
Financial assets and financial investments with risks on policyholders	291.955.528	44.130.994	-	336.086.522
Receivables from main operations	414.414.079	167.123.461	192.189.831	773.727.371
Total foreign currency assets	**1.155.894.482**	**280.455.092**	**200.248.238**	**1.636.597.812**
Liabilities:				
Payables arising from main operations	(168.696.157)	(73.220.617)	(12.937.850)	(254.854.624)
Insurance technical reserve(*)	(477.490.117)	(229.031.016)	(155.025.195)	(861.546.328)
Total foreign currency liabilities	**(646.186.274)**	**(302.251.633)**	**(167.963.045)**	**(1.116.400.952)**
Net financial position	**509.708.208**	**(21.796.541)**	**32.285.193**	**520.196.860**

December 31, 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	405.018.634	50.642.040	5.308.957	460.969.631
Financial assets and financial investments with risks on policyholders	133.672.721	17.439.313	-	151.112.034
Receivables from main operations	269.828.361	116.314.547	86.258.484	472.401.392
Total foreign currency assets	**808.519.716**	**184.395.900**	**91.567.441**	**1.084.483.057**
Liabilities:				
Payables arising from main operations	(135.001.053)	(36.488.564)	(11.189.643)	(182.679.260)
Insurance technical reserve(*)	(385.164.426)	(165.677.569)	(132.375.354)	(683.217.349)
Total foreign currency liabilities	**(520.165.479)**	**(202.166.133)**	**(143.564.997)**	**(865.896.609)**
Net financial position	**288.354.237**	**(17.770.233)**	**(51.997.556)**	**218.586.448**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of December 31, 2018 and 2017 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2018	5,2609	6,0280	4,8301	5,6789
December 31, 2017	3,7719	4,5155	3,6445	4,1159

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Exposure to foreign currency risk

A 20 percent depreciation of the TL against the following currencies as of December 31, 2018 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2017: 10 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	43.550.536	101.941.642	15.468.152	28.835.424
Euro	(13.185.507)	(4.359.308)	(3.520.954)	(1.777.023)
Others	6.457.039	6.457.039	(5.199.756)	(5.199.756)
Total, net	**36.822.068**	**104.039.372**	**6.747.442**	**21.858.645**

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2017: 10% depreciation of TL).

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As at reporting date; the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets with fixed interest rates:	*5.991.429.695*	*4.700.100.331*
Cash at banks *(Note 14)*(*)	5.342.227.631	4.302.893.552
Available for sale financial assets - Government bonds - TL *(Note 11)*	231.514.841	243.261.087
Cash deposited to insurance and reinsurance companies *(Note 12)*	188.736.338	92.604.295
Available for sale financial assets - Private sector bonds *(Note 11)*	221.150.459	38.099.583
Other- financial assets *(Note 11)*	7.800.426	23.241.814
Financial assets with variable interest rate:	*135.011.390*	*143.370.843*
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	110.843.331	119.759.173
Available for sale financial assets - Government bonds- TL *(Note 11)*	24.168.059	23.611.670
Financial liabilities:		
Financial liabilities with fixed interest rate:	53.578.314	*110.802.339*
Funds from repo transactions *(Note 20)*	50.700.491	102.934.273
Expense Accruals From Derivative Contracts (Not 20)	2.877.823	7.868.066

(*) Demand deposits amounting to TL 21.978.266 are not included (December 31, 2017: TL 25.567.666).

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Group has classified its financial assets as held for trading or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements.

Group management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Classification relevant to fair value information

TFRS 7 - *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Group. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (Note 11) (*)	894.766.318	111.010.219	-	1.005.776.537
Financial assets held for trading *(Note 9)*	73.091.120	106.461.626	-	179.552.746
Associates	-	199.307.030	-	199.307.030
Subsidiaries	-	3.445.290	-	3.445.290
Total financial assets	**967.857.438**	**420.224.165**	-	**1.388.081.603**
Tangible assets:				
Investment properties *(Note 6)*	-	455.721.000	-	455.721.000
Owner occupied properties *(Note 6)*	-	194.296.000	-	194.296.000
Total tangible assets	-	**650.017.000**	-	**650.017.000**
Total	**967.857.438**	**1.070.241.165**	-	**2.038.098.603**

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (Note 11) (*)	918.673.655	219.514.315	67.311.993	1.205.499.963
Financial assets held for trading *(Note 9)*	123.087.098	224.448.052	-	347.535.150
Associates	-	196.165.815	-	196.165.815
Subsidiaries	-	3.196.742	-	3.196.742
Total financial assets	**1.041.760.753**	**643.324.924**	**67.311.993**	**1.752.397.670**
Tangible assets:				
Investment properties *(Note 6)*	-	427.026.000	-	427.026.000
Owner occupied properties *(Note 6)*	-	161.310.000	-	161.310.000
Total tangible assets	-	**588.336.000**	-	**588.336.000**
Total	**1.041.760.753**	**1.231.660.924**	**67.311.993**	**2.340.733.670**

(*) As of December 31, 2018, securities that are not publicly traded amounting to TL 2.265.431 (December 31, 2017: TL 1.566.075) have been measured at cost.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The reconciliation for fair value measurement Level 3 of available for sale financial assets is as follow:

	December 31, 2018	December 31, 2017
Available for sale financial assets at the beginning of the period	67.311.993	62.944.793
Valuation increase/ (decrease) (Valuation of financial assets)	-	4.367.200
Reclassification	(67.311.993)	-
Available for sale financial assets at the end of the period	-	67.311.993

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect on Group income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets (traded at İstanbul Stock Exchange) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (excluding tax effect):

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
Financial assets held for trading	(1.911.061)	(1.911.061)	4.834.620	4.834.620
Available for sale financial assets	-	(15.666.621)	-	(18.242.083)
Total, net	(1.911.061)	(17.577.682)	4.834.620	(13.407.463)

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2018	December 31, 2017
Interest income from bank deposits	461.155.750	318.873.647
Foreign exchange gains	901.481.239	472.065.152
Interest income from debt securities classified as available-for-sale financial assets	3.789.449	31.959.880
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	78.640.548	10.944.242
Income from derivative transactions	297.457.026	90.116.129
Income from participates	53.479.268	47.584.280
Interest income from debt securities classified as held to maturity financial investments	-	13.641
Income from debt securities classified as held for trading financial assets	19.054.279	18.303.260
Interest income from debt securities classified as held for trading financial assets	-	39.566
Income from equity shares	19.950.973	22.503.231
Interest income from repos	613.305	34.218.331
Income from subsidiaries	255.858	153.904
Income from investment funds	55.909.817	22.067.629
Other	2.913.533	3.087.195
Income from investment funds reclassified as available for sale financial assets	43.440.441	7.118.861
Investment income	**1.938.141.486**	**1.079.048.948**
Loss from derivative transactions	(66.177.031)	(179.274.294)
Foreign exchange losses	(488.165.142)	(134.071.983)
Loss from valuation of financial assets	(8.864.845)	(1.118.002)
Loss from disposal of financial assets	(47.588.465)	(17.134.520)
Investment management expenses (including interest)	(2.012.996)	(1.231.961)
Investment expenses	**(612.808.479)**	**(332.830.760)**
Investment income, net	**1.325.333.007**	**746.218.188**

Financial gains and losses recognized in equity, net::	31 December 2018	31 December 2017
Fair value changes in available for sale financial assets *(Note 15)*	(12.664.199)	32.497.908
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(78.640.548)	(10.944.242)
Total	**(91.304.747)**	**21.553.666**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 467.082.690 (December 31, 2017: TL 384.768.809) as of December 31, 2018. As of December 31, 2018 and 2017, the capital amount of the Company presented in the unconsolidated financial statements are TL 1.736.300.262 and TL 1.587.067.868 respectively and capital surplus of the Company is amounting to TL 1.079.355.016 (December 31, 2017: TL 982.382.182) according to the communiqué.

As of December 31, 2018, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 1.439.439.281. As of December 31, 2018, according to communiqué, equity amount in consolidated financial statements of Anadolu Sigorta is over required equity amount.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

5 Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

The main geographical segment which the Group operates is Turkey. Hence, the Group has not disclosed report on geographical segments.

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Addition	Foreign currency translation effect(*)	Disposals	Transfers	Revaluation surplus	December 31, 2018
Cost:							
Investment properties *(Note 7)*	427.026.000	1.174.094	-	-	-	27.520.906	455.721.000
Buildings for own use	161.310.000	25.370	-	-	-	32.960.630	194.296.000
Machinery and equipment	56.957.217	25.839.164	-	(1.779.631)	(186.436)	-	80.830.314
Furniture and fixtures	19.688.504	1.248.487	355.977	(720.254)	-	-	20.572.714
Land Vehiclesss	1.894.818	2.466.399	215.830	(528.558)	-	-	4.048.489
Other tangible assets (including leasehold improvements)	23.486.838	2.401.622	-	(70.323)	186.436	-	26.004.573
Leased tangible assets	3.858.074	-	-	-	-	-	3.858.074
	694.221.451	33.155.136	571.807	(3.098.766)	-	60.481.536	785.331.164
Accumulated depreciation:							
Buildings for own use	488.331	624.497		-	-	(897.420)	215.408
Machinery and equipment	39.756.867	10.774.145	-	(1.698.998)	(48.509)	-	48.783.505
Furniture and fixtures	15.700.278	1.514.223	334.603	(670.396)	-	-	16.878.708
Land Vehiclesss	843.715	422.723	91.626	(483.872)	-	-	874.192
Other tangible assets (including leasehold improvements)	17.234.737	3.704.710	-	(70.323)	48.509	-	20.917.633
Leased tangible assets	3.858.074		-	-	-	-	3.858.074
	77.882.002	17.040.298	426.229	(2.923.589)	-	(897.420)	91.527.520
Net book value	616.339.449						693.803.644

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Addition	Foreign currency translation effect(*)	Disposals	Revaluation surplus	December 31, 2017
Cost:						
Investment properties *(Note 7)*	388.265.000	39.136	-	-	38.721.864	427.026.000
Buildings for own use	160.287.253	-	-	-	1.022.747	161.310.000
Machinery and equipment	49.033.797	8.204.174	-	(280.754)	-	56.957.217
Furniture and fixtures	19.296.491	553.674	57.432	(219.093)	-	19.688.504
Land Vehiclesss	1.732.838	734.663	36.629	(609.312)	-	1.894.818
Other tangible assets (including leasehold improvements)	22.982.418	922.014	-	(417.594)	-	23.486.838
Leased tangible assets	3.868.337	-	-	(10.263)	-	3.858.074
	645.466.134	10.453.661	94.061	(1.537.016)	39.744.611	694.221.451
Accumulated depreciation:						
Buildings for own use	95.501	551.265		-	(158.435)	488.331
Machinery and equipment	33.541.297	6.486.538	-	(270.968)	-	39.756.867
Furniture and fixtures	14.303.421	1.563.068	51.125	(217.336)	-	15.700.278
Land Vehiclesss	1.077.997	291.152	9.794	(535.228)	-	843.715
Other tangible assets (including leasehold improvements)	13.838.190	3.814.142	-	(417.595)	-	17.234.737
Leased tangible assets	3.868.337	-	-	(10.263)	-	3.858.074
	66.724.743	12.706.165	60.919	(1.451.390)	(158.435)	77.882.002
Net book value	578.741.391					616.339.449

(*) Foreign currency translation effect resulted from Singapore Branch.

The Group's buildings for own use is valuated over fair value as of December 31, 2018 and 2017 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in September 2018. There is no pledge over Company's buildings for own use.Milli Reasürans, the Company's buildings for own use is valuated over fair value as of 2018. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in September 2018.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018, the fair values (excluding VAT) and net carrying values of buidings for own use are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2018)	Net Book Value (December 31, 2017)
Headquarter	September 2018	179.340.000	179.200.132	147.436.357
İzmir Regional Headquarter	September 2018	7.600.000	7.557.233	7.494.105
Adana Regional Headquarter	September 2018	1.895.000	1.888.815	1.833.762
Lefkoşe Cyprus Branch	September 2018	4.150.000	4.135.509	2.774.620
Adana Office	September 2018	300.000	298.454	424.709
Other	September 2018	1.011.000	1.000.449	858.115
Total		**194.296.000**	**194.080.592**	**160.821.668**

Fair value measurement

The fair values of self-used land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

As of December 31, 2018 and 2017, there is no mortgage on Group's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment properties are started to be presented by fair value method as of December 31, 2017 and 2018 on balance sheet and the Company's investment properties gained TL 27.520.906 amount of value in 2018 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. For the year ended December 31 2018, the Group has rental income from investment properties amounting to TL 21.673.905 (December 31, 2017: TL 18.597.963).

As of December 31, 2018, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 455.721.000 (December 31, 2017: TL 427.026.000)

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in September 2018. There is no mortgage on Group's investment properties.

As of December 31, 2018 and 2017, details of investment properties and the fair values are as follows:

	December 31, 2018 Net book value	December 31, 2017 Net book value	Date of expertise report	Value of expertise report
Operating Center Rental Offices	189.260.000	180.500.000	September 2018	189.260.000
Suadiye Fitness Center	36.175.000	36.175.000	September 2018	36.175.000
Tunaman Garage	121.500.000	105.000.000	September 2018	121.500.000
Villa Office Block	45.100.000	44.300.000	September 2018	45.100.000
Çifteler Land	6.000	6.000	September 2018	6.000
Other buildings	63.680.000	61.045.000	September 2018	63.680.000
Net book value	**455.721.000**	**427.026.000**		**455.721.000**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

8 Intangible Assets

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2018
Cost:						
Other intangible assets	126.607.897	6.247.046	16.374.117	921.275	-	150.150.335
Goodwill	16.250.000	-	-	-	-	16.250.000
Advances given for intangible assets	45.049.361	29.999.340	(16.374.117)	-	-	58.674.584
	187.907.258	36.246.386		921.275	-	225.074.919
Accumulated amortization:						
Other intangible assets	104.579.269	14.417.469	-	919.441	-	119.916.179
	104.579.269	14.417.469	-	919.441	-	119.916.179
Net book value	83.327.989					105.158.740

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2017
Cost:						
Other intangible assets	116.516.653	3.959.109	6.012.500	156.034	(36.399)	126.607.897
Goodwill	16.250.000	-	-	-	-	16.250.000
Advances given for intangible assets	24.115.696	26.946.165	(6.012.500)	-	-	45.049.361
	156.882.349	30.905.274	-	156.034	(36.399)	187.907.258
Accumulated amortization:						
Other intangible assets	87.076.641	17.382.082	-	155.881	(35.335)	104.579.269
	87.076.641	17.382.082	-	155.881	(35.335)	104.579.269
Net book value	69.805.708					83.327.989

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

9 Investments in associates

	December 31, 2018		December 31, 2017	
	Book value	Participation rate %	Book value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	199.307.030	21,00	196.165.815	21,00
Affiliates, net	**199.307.030**		**196.165.815**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	3.445.290	77,00	3.196.742	77,00
Subsidiaries, net	**3.445.290**		**3.196.742**	
Total financial asset	**202.752.320**		**199.362.557**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	4.769.334	4.474.402	-	332.283	Unaudited.	December,31 2018
Associates*:*						
Anadolu Hayat Emeklilik AŞ (consolidated)	20.229.978.136	949.081.089	98.747.310	254.663.182	Audited.	December, 31 2018

In the current period TL 53.479.268 (December 31, 2017: 47.584.280) of income is obtained from associates and TL 255.858 of income is obtained from subsidiaries (December 31, 2017: TL 153.904) through equity accounted consolidation method.

10 Reinsurance assets and liabilities

As of December 31, 2018 and 2017, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2018	December 31, 2017
Unearned premiums reserves, ceded (Note 17)	732.987.716	551.618.894
Outstanding claims reserve, ceded (Note 4.2), (Note 17)	1.195.809.112	595.038.575
Receivables from reinsurance companies (Note 12)	122.576.181	56.929.444
Cash deposited to reinsurance companies	188.736.338	92.604.295
Total	**2.240.109.347**	**1.296.191.208**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Payables to the reinsurers related to premiums written *(Note 19)*	421.304.226	293.709.891
Deferred commission income *(Note 19)*	101.626.238	77.376.043
Cash deposited by reinsurance companies	8.527.925	8.573.616
Commission payables to the reinsurers related to written premiums *(Note 19)*	3.966.136	-
Total	**535.424.525**	**379.659.550**

Gains and losses recognized in the consolidated statement of income in accordance with existing insurance and retrocession contracts are as follows:

	December 31, 2018	December 31, 2017
Premiums ceded during the period *(Note 17)*	(1.770.959.962)	(1.297.648.999)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(551.618.894)	(349.788.450)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	732.987.716	551.618.894
Earned premiums, ceded *(Note 17)*	**(1.589.591.140)**	**(1.095.818.555)**
Claims paid, ceded during the period *(Note 17)*	674.389.796	554.184.603
Outstanding claims reserves, ceded at the beginning of the period *(Note 17)*	(595.038.575)	(442.713.429)
Outstanding claims reserves, ceded at the end of the period *(Note 17)*	1.195.809.112	595.038.575
Incurred claims, ceded *(Note 17)*	**1.275.160.333**	**706.509.749**
Commission income accrued from reinsurers during the period *(Note 32)*	248.982.078	209.781.952
Deferred commission income at the beginning of the period *(Note 19)*	77.376.043	46.650.934
Deferred commission income at the end of the period *(Note 19)*	(101.626.238)	(77.376.043)
Commission income earned from reinsurers *(Note 32)*	**224.731.883**	**179.056.843**
Changes in unexpired risk reserves, reinsurers' share *(Note 17)*	**16.269.641**	**20.323.301**
Total, net	**(73.429.283)**	**(189.928.662)**

11 Financial assets

As of December 31, 2018 and 2017, the Group's financial assets are detailed as follows:

	December 31, 2018	December 31, 2017
Available for sale financial assets	1.014.996.508	1.214.020.578
Financial assets held for trading	179.552.746	347.535.150
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	**1.187.594.714**	**1.554.601.188**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, the Group's financial assets held for trading are detailed as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	7.795.343	7.800.426	7.800.426
	-	7.795.343	7.800.426	7.800.426
Non-fixed income financial assets:				
Investment funds	-	108.810.773	146.293.529	146.293.529
Equity shares	-	22.802.751	19.110.609	19.110.609
Derivative guarantees	-	6.259.952	6.348.182	6.348.182
	-	137.873.476	171.752.320	171.752.320
Total financial assets held for trading	-	145.668.819	179.552.746	179.552.746

	December 31, 2017			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	23.219.811	23.241.814	23.241.814
	-	23.219.811	23.241.814	23.241.814
Non-fixed income financial assets:				
Investment funds		220.387.100	266.365.506	266.365.506
Equity shares		45.337.430	48.346.198	48.346.198
Derivative guarantees		9.570.458	9.581.632	9.581.632
		275.294.988	324.293.336	324.293.336
Total financial assets held for trading		298.514.799	347.535.150	347.535.150

As of December 31, 2018 and 2017, the Group's available for sale financial assets are detailed as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	198.089.739	189.770.611	176.440.027	176.440.026
Government bonds - USD	87.330.940	98.641.422	79.242.874	79.242.874
Private sector bonds - TL	93.990.000	93.358.310	95.339.659	95.339.659
Private sector bonds- USD	228.707.105	219.165.166	212.712.655	212.712.655
Private sector bonds - EUR	30.350.980	30.138.814	30.896.017	30.896.016
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		631.074.323	587.676.692	587.676.690
Non-fixed income financial assets:				
Equity shares		165.508.575	158.931.638	158.931.638
Investment funds		243.137.401	261.433.640	261.433.640
		408.645.976	420.365.278	420.365.278
Total available for sale financial assets		1.039.720.299	1.008.041.970	1.008.041.968

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2017			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	205.859.655	198.858.005	199.853.376	199.853.376
Private sector bonds - TL	90.318.788	96.418.788	98.159.956	98.159.956
Private sector bonds- USD	65.517.903	65.746.944	66.653.340	66.653.340
Government bonds - USD	62.613.540	71.044.346	67.019.381	67.019.381
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		432.068.083	424.731.513	424.731.513
Non-fixed income financial assets:				
Investment funds		549.341.464	598.347.625	598.347.625
Equity shares		144.022.438	183.986.900	183.986.900
		693.363.902	782.334.525	782.334.525
Total available for sale financial assets		1.125.431.985	1.207.066.038	1.207.066.038

All debt instruments presented above are traded in the capital markets, As of December 31, 2018, equity shares classified as available for sale financial assets with a carrying amount of TL 2.265.431 are not publicly traded (December 31, 2017: TL 2.224.728).

There is no debt security issued during the period or issued before and paid during the period by the Group.

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2018	(91.304.747)	(38.392.942)
2017	21.553.666	52.911.805
2016	3.123.961	31.358.139

As of December 31, 2018 and 2017, there is no financial assets held to maturity.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, the movement of the financial assets is presented below:

	December 31, 2018			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**347.535.150**	**1.207.066.038**	**-**	**1.554.601.188**
Acquisitions during the period	909.540.934	2.208.904.891	-	3.118.445.825
Disposals (sale and redemption)	(1.081.735.265)	(2.464.034.135)	-	(3.545.769.400)
Change in the fair value of financial assets	4.211.927	47.168.242	-	51.380.169
Change in amortized cost of the financial assets	-	1.300.960	-	1.300.960
Bonus shares acquired	-	7.635.972	-	7.635.972
Balance at the end of the period	**179.552.746**	**1.008.041.968**	**-**	**1.187.594.714**

	December 31, 2017			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**127.881.004**	**963.677.470**	**15.172.182**	**1.106.730.656**
Acquisitions during the period	501.264.684	895.580.447	-	1.396.845.131
Disposals (sale and redemption)	(346.680.646)	(762.351.483)	(15.185.823)	(1.124.217.952)
Change in the fair value of financial assets	64.872.059	75.449.709	-	140.321.768
Change in amortized cost of the financial assets	-	20.789.498	13.641	20.803.139
Bonus shares acquired	198.049	13.920.397	-	14.118.446
Balance at the end of the period	**347.535.150**	**1.207.066.038**	**-**	**1.554.601.188**

Details of the financial assets issued by related parties of the Group are as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	76.951.184	73.255.316	74.238.986	74.238.986
Available for sale financial assets - Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Available for sale financial assets - Investment funds		230.903.832	249.190.611	249.190.611
Available for sale financial assets - Equity shares		62.508.033	50.045.854	50.045.854
Financial assets held for trading - Investment funds		103.272.965	140.574.851	140.574.851
Total	**85.951.184**	**478.368.646**	**522.810.002**	**522.810.002**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2017			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	15.000.000	15.000.000	15.302.769	15.302.769
Available for sale financial assets - Investment funds		769.728.564	864.713.131	864.713.131
Available for sale financial assets - Equity shares		54.872.059	72.183.344	72.183.344
Total	15.000.000	839.600.623	952.199.244	952.199.244

As of December 31, 2018 and 2017, there is no financial assets blocked in favour of the Republic of Turkey Ministry of Treasury and Finance as a guarantee for the insurance activities.

12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from main operations *(Note 4.2)*	1.833.933.318	1.355.731.258
Prepaid taxes and funds *(Note 19), (Note 4.2)*	38.869.531	-
Income accruals (*Note 4.2)*	88.437.494	31.213.090
Other receivables *(Note 4.2)*	30.607.644	22.455.659
Other current assets *(Note 4.2)*	624.023	1.014.306
Total	1.992.472.010	1.410.414.313
Short-term receivables	1.990.844.577	1.408.208.609
Medium and long-term receivables	1.627.433	2.205.704
Total	1.992.472.010	1.410.414.313

As at 31 December 2018 and 2017, receivables from main operations are detailed as follows:

	December 31, 2018	December 31, 2017
Receivables from insurance companies	148.133.885	90.857.035
Receivables from reinsurance companies *(Note 10)*	122.576.181	56.929.444
Receivables from agencies, brokers and intermediaries	77.713.598	49.238.935
Total receivables from reinsurance operations, net	348.423.664	197.025.414
Receivables from agencies, brokers and other intermediaries	1.047.189.149	872.173.973
Receivables from insurance and reinsurance companies	21.511.252	12.268.459
Long term receivable which is bank guarantee and three months credit card	143.082.277	107.556.543
Salvage and subrogation receivables *(Note 2.21)*	60.020.233	50.653.264
Receivables from policyholders	41.143.149	31.786.329
Total receivables from insurance operations, net	1.312.946.060	1.074.438.568
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	188.736.338	92.604.295
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(16.172.744)	(8.337.019)
Doubtful receivables from main operations - premium receivables	57.039.003	47.804.379
Provision for doubtful receivables from main operations - premium receivables	(57.039.003)	(47.804.379)
Doubtful receivables from insurance operations - subrogation receivables	265.088.561	196.394.800
Provisions for doubtful receivables from insurance operations - subrogation receivables	(265.088.561)	(196.394.800)
Receivables from main operations	1.833.933.318	1.355.731.258

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2018	December 31, 2017
Mortgage notes	79.813.638	83.516.803
Letters of guarantees	120.487.796	115.537.919
Other guarantees	78.125.186	50.299.983
Government bonds and treasury bills	2.878.656	3.028.656
Total	**281.305.276**	**252.383.361**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 57.039.003 for main operations (December 31, 2017: TL 47.804.379) and TL 409.363 (December 31, 2017: TL 53.177) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2017: None).

c) Provision for subrogation receivables: TL 281.261.305 (December 31, 2017: TL 204.731.819).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in *Note 45 - Related party transactions*.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2- Financial risk management*.

13 Derivative financial assets

As of December 31, 2018, the Company has derivative financial instruments recognized in the financial assets held for trading amounting to TL 6.348.182 (December 31, 2017: TL 9.581.631). As of December 31, 2018 the Company has express warranty in derivative instruments amounting to TL 16.984.621 (December 31, 2017: TL 5.818.015).

As of December 31, 2018, the Company has accounted in income accruals and other financial liabilities amounting to TL 77.683.687 (December 31, 2017: TL 18.939.649) that is increase in value and TL (2.877.823) TL (December 31, 2017: TL (7.868.067)) that is decrease in value respectively, due to forward foreign currency agreement.

14 Cash and cash equivalents

As of December 31, 2018 and December 31, 2017, the details of the cash and cash equivalents are as follows:

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	70.338	68.699	68.699	52.555
Cheques received	-	-	-	1.950.000
Bank deposits	5.364.205.897	4.328.461.218	4.328.461.218	3.919.164.699
Cheques given and payment orders	(79.251)	(87.620)	(87.620)	(82.544)
Bank guaranteed credit card receivables with maturities less than three months	451.595.523	399.367.075	399.367.075	421.604.151
Cash and cash equivalents in the balance sheet	**5.815.792.507**	**4.727.809.372**	**4.727.809.372**	**4.342.688.861**
Bank deposits - blocked(*)	(567.003.815)	(483.583.442)	(483.583.442)	(399.689.396)
Time deposits with maturities longer than 3 months	(2.054.680.462)	(945.825.944)	(945.825.944)	(1.037.818.192)
Interest accruals on banks deposits	(21.420.939)	(13.872.173)	(13.872.173)	(18.645.658)
Cash and cash equivalents presented in the statement of cash flows	**3.172.687.291**	**3.284.527.813**	**3.284.527.813**	**2.886.535.615**

(*) As of December 31, 2018, cash collateral amounting to TL 567.003.315 is kept in favour of the Republic of Turkey Ministry of Treasury and Finance as a guarantee for the insurance activities of Anadolu Sigorta. (31 December 2017: TL 483.582.942).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, bank deposits are further analysed as follows:

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	2.824.786.884	2.292.662.264
- demand deposits	17.017.671	13.068.914
Bank deposits in Turkish Lira		
- time deposits	2.517.440.747	2.010.231.288
- demand deposits	4.960.595	12.498.752
Bank deposits	5.364.205.897	4.328.461.218

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As of December 31, 2018 and 2017, the shareholding structure of the Company is presented below:

	December 31, 2018		December 31, 2017	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.(*)	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	660.000.000	100,00	660.000.000	100,00

As of December 31, 2018, the issued share capital of the Group is TL 660.000.000 (December 31, 2017: TL 660.000.000) and the share capital of the Group consists of 66.000.000.000 (December 31, 2017: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As of December 31, 2018 and 2017, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% and Miltaş, 77% of shares is owned by the Group are consolidated by using the equity method.

Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The movements of legal reserves are as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the period	**104.684.320**	**90.368.834**
Transfer from profit	18.357.166	14.315.486
Legal reserves at the end of the period	**123.041.486**	**104.684.320**

As of December 31, 2018 and 2017, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buidings for own use revaluation differences.

As at December 31, 2018 and 2017, "Other Reserves and Retained Earnings" are detailed as below:

	December 31, 2018	December 31, 2017
Other profit reserves	27.445.366	27.624.672
Extraordinary reserves	284.629.618	179.927.446
Other capital reserves	163.749.852	133.901.195
Sales profits to be capitalized	24.245.511	23.723.323
Other earnings and losses	(5.037.416)	(3.241.062)
Subsidiary capital correction	(71.060.049)	(71.060.049)
Total	**423.972.882**	**290.875.525**

Other capital reserves

According to TAS 16 - "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

Anadolu Sigorta, as of December 31, 2018, the tax exempt gain from sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015, 2016 and 2017 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500 and TL 15.094 and in 2018 real estate revaluation funds are classified as other capital reserves.

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 179.340.000 and revaluation differences amounting to TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity as TL 146.070.394 with net tax effect in financial statements as of December 31, 2018 (December 31, 2017: TL 117.058.884).

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	**179.927.446**	**81.426.632**
Transfer from profit	104.702.172	98.500.814
Extraordinary reserves at the end of the period	**284.629.618**	**179.927.446**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Subsidiary capital correction

On September 30, 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71.060.049), is recorded under "Subsidiary Capital Correction" account under equity.

Other profit reserves

In accordance with the July 4, 2007 dated and 2007/3 numbered Compliance Circular issued by the Republic of Turkey Ministry of Treasury and Finance, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at December 31, 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at December 31, 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 - transferred earthquake provisions" which would be opened as at September 1, 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. As of December 31, 2018, TL (1.861.131) (31 December 2017: TL (3.241.062)), of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 50% portion of the gains from sales real estate and 75% portion of the gains from subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, for the year ended December 31, 2016, the Company categorized the TL 24.245.511 profit on sale from the sale of the properties realized on April 10, 2015 under the company's equity as "Profit for the period that is extraneous from the distribution" and as "sales profits to be capitalized" and "other capital reserves" under the equity for the current period. As of December 31, 2018, non-distributable profit is accounted for using the equity method is TL 1.549.719 (December 31, 2017: None.)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2018, total funds allocated is amounting TL 23.673.668 (December 31, 2017: TL 14.966.872), and funds amounting TL 8.706.796 is allocated from current period profit in current period.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at December 31, 2018, foreign currency translation reserve amounting to TL 43.734.932 loss (December 31, 2017: TL 28.441.170 loss) stems from Singapore Branch whose functional currency is US Dollars.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Valuation of financial assets

As of December 31, 2018 and 2017, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	December 31, 2018	December 31, 2017
Fair value reserves at the beginning of the period	**52.911.805**	**31.358.139**
Change in the fair value during the period *(Note 4.2)*	(34.148.167)	34.301.149
Deferred tax effect *(Note 4.2)*	4.183.047	(3.992.089)
Net gains transferred to the statement of income *(Note 4.2)*	(78.640.548)	(10.944.242)
Deferred tax effect *(Note 4.2)*	17.300.921	2.188.848
Fair value reserves at the end of the period	**(38.392.942)**	**52.911.805**

16 Other reserves and equity component of discretionary participation

As of December 31, 2018 and 2017, other reserves are explained in detail in Note 15 - Equity above.

As of December 31, 2018 and 2017, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into consolidated financial statements as mentioned in Note 2 - *Summary of significant accounting policies*.

As of December 31, 2018 and 2017, technical reserves of the Group' are as follows:

	December 31, 2018	December 31, 2017
Unearned premiums reserves, gross	3.280.229.790	2.761.900.572
Unearned premiums reserves, ceded *(Note 10)*	(732.987.716)	(551.618.894)
Unearned premiums reserves, SSI share	(63.611.725)	(58.817.233)
Unearned premiums reserves, net	**2.483.630.349**	**2.151.464.445**
Outstanding claims reserve, gross	5.416.277.390	4.142.682.408
Outstanding claims reserve, ceded *(Note 10)*	(1.195.809.112)	(595.038.575)
Outstanding claims reserve, net	**4.220.468.278**	**3.547.643.833**
Unexpired risk reserves	109.401.449	53.356.959
Unexpired risk reserves, ceded	(40.180.868)	(23.911.227)
Unexpired risk reserves, net	**69.220.581**	**29.445.732**
Equalization reserves, net(*)	276.734.089	211.872.440
Other technical reserves, net	**276.734.089**	**211.872.440**
Life mathematical reserves	**73.795**	**116.109**
Total technical reserves, net	**7.050.127.092**	**5.940.542.559**
Short-term	6.772.584.798	5.728.670.119
Medium and long-term	277.542.294	211.872.440
Total technical reserves, net	**7.050.127.092**	**5.940.542.559**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018 and 2017, movements of the insurance liabilities and related reinsurance assets are presented belows:

	December 31, 2018			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	2.761.900.572	(551.618.894)	(58.817.233)	2.151.464.445
Written premiums during the period	6.874.082.761	(1.770.959.962)	(120.450.837)	4.982.671.962
Earned premiums during the period	(6.355.753.543)	1.589.591.140	115.656.345	(4.650.506.058)
Unearned premiums reserve at the end of the period	**3.280.229.790**	**(732.987.716)**	**(63.611.725)**	**2.483.630.349**

	December 31, 2017			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	2.560.196.810	(349.788.450)	(75.059.219)	2.135.349.141
Written premiums during the period	5.644.048.556	(1.297.648.999)	(109.231.373)	4.237.168.184
Earned premiums during the period	(5.442.344.794)	1.095.818.555	125.473.359	(4.221.052.880)
Unearned premiums reserve at the end of the period	**2.761.900.572**	**(551.618.894)**	**(58.817.233)**	**2.151.464.445**

	December 31, 2018		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	4.142.682.408	(595.038.575)	3.547.643.833
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.338.724.811	(1.275.160.333)	4.063.564.478
Claims paid during the period	(4.065.129.829)	674.389.796	(3.390.740.033)
Outstanding claims reserve at the end of the period	**5.416.277.390**	**(1.195.809.112)**	**4.220.468.278**

	December 31, 2017		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	3.350.796.268	(442.713.429)	2.908.082.839
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	4.101.837.578	(706.509.749)	3.395.327.829
Claims paid during the period	(3.309.951.438)	554.184.603	(2.755.766.835)
Outstanding claims reserve at the end of the period	**4.142.682.408**	**(595.038.575)**	**3.547.643.833**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	December 31, 2018		
	Should be placed(*)	Placed	Book value
Non-life:			
Bank deposits *(Note 14)*	-	566.555.904	567.003.315
Total	453.845.445	566.555.904	567.003.315

	December 31, 2017		
	Should be placed(*)	Placed	Book value
Non-life:			
Bank deposits *(Note 14)*	-	483.372.018	483.582.942
Total	380.109.847	483.372.018	483.582.942

(*) Insurance companies and pension companies, which are carrying out activities in life insurance and personal accident insurance branches, are required to allocate their guarantees within two months following capital adequacy calculation periods in accordance with article 7 of Regulation on Financial Structure of Insurance and Reassurance Companies and Pension Companies, regulating allocating and releasing of guarantees. Companies issue capital adequacy statement twice in June and December periods in accordance with "Regulation on Measurement and Review of Capital Adequacy of Insurance and Reassurance and Pension Companies" and submit such statements to Ministry of Treasury and Finance within 2 months. Amounts, which are determined based on calculations, made as of June 30, 2018 (June 30, 2017), are included as "allocable" amounts, since amounts, which are required to be allocated as of December 31, 2018 (December 31, 2017) shall be based on amounts, which are calculated as of June 31, 2018 (June 30, 2017).

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group's portfolio as individual or group during the period

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2018, short-term prepaid expenses amounting to TL 500.778.298 (December 31, 2017: TL 422.238.492) consist of deferred acquisition cost; deferred commission expenses amounting to TL 461.641.048 (December 31, 2017: TL 384.974.032) and other prepaid expenses amounting to TL 39.137.250 (December 31, 2017: TL 37.264.460). Long-term prepaid expenses amounting TL 9.445.638 (December 31, 2017: TL 6.639.202) are composed of other prepaid expenses.

	December 31, 2018	December 31, 2017
Deferred commission expenses at the beginning of the period	384.974.032	369.762.099
Commissions accrued during the period *(Note 32)*	914.371.048	805.870.258
Commissions expensed during the period	(837.704.032)	(790.658.325)
Deferred commission expenses at the end of the period	**461.641.048**	**384.974.032**

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Financial payables	53.578.314	110.802.339
Payables from main operations	700.067.699	518.869.894
Other payables	97.294.815	116.595.290
Short/long term deferred income and expense accruals	181.638.382	133.477.692
Taxes and other liabilities and similar obligations	57.436.673	59.324.763
Due to related parties *(Note 45)*	370.388	362.820
Total	**1.090.386.271**	**939.432.798**
Short-term liabilities	1.090.353.771	939.322.298
Long-term liabilities	32.500	110.500
Total	**1.090.386.271**	**939.432.798**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of December 31, 2018, other payables amounting to TL 97.294.815 (December 31, 2017: TL 116.595.290) consist of treatment cost payables to SSI amounting to TL 30.867.740 (December 31, 2017: TL 30.922.543) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 56.972.083 (December 31, 2017: TL 79.390.665) and deposits and guarantees received amounting to TL 9.454.992 (December 31, 2017: 6.282.082).

Payables arising from main operations of the Group as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Payables to reinsurance companies *(Note 10)*	421.304.226	293.709.891
Payables to agencies, brokers and intermediaries	65.074.280	44.147.545
Cash deposited by insurance and reinsurance companies	9.088.597	9.247.311
Total payables arising from reinsurance and insurance operations	**495.467.103**	**347.104.747**
Payables arising from other operating activities	204.600.596	171.765.147
Payables arising from main operations	**700.067.699**	**518.869.894**

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2018	December 31, 2017
Corporate tax liabilities	(106.996.427)	(96.767.913)
Taxes paid during the period	142.657.523	81.937.394
Corporate tax assets, net	**35.661.096**	**(14.830.519)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

Group's financial liabilities from repo transactions/ Takasbank Money Market Transactions is amounting to TL 50.700.491 as of December 31, 2018 (December 31, 2017: TL 102.934.273). The maturity distributions of financial liabilities are as follows:

Maturity	December 31, 2018	Maturity	December 31, 2017
January 15, 2019	50.700.491	19 January 2018	20.084.905
-	-	26 January 2018	82.849.368
Balance sheet value	**50.700.491**		**102.934.273**

As of December 31, 2018, the detail of the expense accrual arising from swap contracts amounting to TL 2.877.823 is disclosed at Note 13. (December 31, 2017: TL 7.868.066)

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

21 Deferred taxes

As of December 31, 2018 and 2017, deferred tax assets and liabilities are attributable to the following:

	December 31, 2018 Deferred tax assets/ (liabilities))	December 31, 2017 Deferred tax assets/ (liabilities))
Unexpired risk reserves	15.228.528	6.478.061
Provision for the pension fund deficits	8.947.362	7.867.023
Equalization reserves	41.127.247	30.152.964
Provisions for employee termination benefits	7.543.894	6.260.002
Other provisions	14.837.226	11.218.221
Subrogation provision	3.558.004	1.834.144
Discount of receivables and payables	522.078	658.758
TAS adjustment differences in depreciation	(3.159.259)	(2.352.237)
Profit commission accruals	(2.028.998)	(2.004.770)
Subrogation receivables from third parties	(5.651.737)	(3.977.190)
Valuation differences in financial assets	(15.377.031)	(7.743.987)
Time deposits	192.055	85.806
Other	1.598.347	560.707
Valuation of real estate	(60.193.714)	(54.385.521)
Deferred tax assets/(liabilities), net	7.144.002	(5.078.019)

As of December 31, 2018, the Group does not have deductible tax losses. (December 31, 2017: None.)

Movement of deferred tax assets as of December 31, 2018 and 2017 are given below:

	December 31, 2018	December 31, 2017
Opening balance at January 1	(5.078.019)	(10.848.500)
Recognized in profit or loss	(4.635.421)	18.150.973
Recognized in equity	16.857.442	(12.380.492)
Closing balance at December 31	7.144.002	(5.078.019)

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Pension Fund of Anadolu Anonim Türk Sigorta Şirketi") which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated March 22, 2007 effective from March 31, 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

"Council of minister is entitled to determine the Social Security Intuition's turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund' partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law' provisional 20. Article. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 44.736.812 (December 31, 2017: TL 39.335.115) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2018 and the TSI 2013 mortality table for December 31, 2017 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/ decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. As of December 31, 2018 and 2017, technical deficit from pension funds comprised the following.

	December 31, 2018	December 31, 2017
Net present value of total liabilities other than health	(133.663.392)	(120.115.748)
Net present value of insurance premiums	29.450.709	25.469.048
Net present value of total liabilities other than health	**(104.212.683)**	**(94.646.700)**
Net present value of health liabilities	(16.741.096)	(14.756.726)
Net present value of health premiums	16.332.152	13.918.802
Net present value of health liabilities	**(408.944)**	**(837.924)**
Pension fund assets	**59.884.815**	**56.149.509**
Amount of actuarial and technical deficit	**(44.736.812)**	**(39.335.115)**

Plan assets are comprised of the following items:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	48.840.924	46.869.599
Associates	9.682.845	8.356.885
Other	1.361.046	923.025
Total plan assets	**59.884.815**	**56.149.509**

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

23 Provision for other liabilities and expense accruals

As of December 31, 2018 and 2017, the provisions for other risks are disclosed as follows:

	December 31, 2018	December 31, 2017
Provision for pension fund deficits *(Note 22)*	44.736.812	39.335.115
Provision for employee termination benefits	35.080.373	29.233.214
Provision for unused vacation	2.399.183	1.878.908
Total provision for other risks	82.216.368	70.447.237

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2018	December 31, 2017
Provision at the beginning of the period	29.233.214	24.566.143
Interest cost *(Note 47)*	3.073.462	2.472.607
Service cost *(Note 47)*	2.326.182	1.986.644
Payments during the period *(Note 47)*	(2.710.704)	(2.306.150)
Actuarial gain/ loss	3.158.219	2.513.970
Provision at the end of the period	35.080.373	29.233.214

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial asset

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

29 Insurance rights and claims

	December 31, 2018	December 31, 2017
Claims paid, net off reinsurers' share	(3.390.740.033)	(2.755.766.835)
Changes in outstanding claims reserves, net off reinsurers' share	(672.824.445)	(639.560.994)
Changes in unearned premium reserves, net off reinsurers' share	(332.165.904)	(16.115.304)
Change in equalization reserves	(66.543.242)	(57.234.707)
Change in life mathematical reserves, net off reinsurers' share	42.314	49.048
Changes in unexpired risks reserves, net off reinsurers' share	(39.774.849)	(24.394.142)
Total	**(4.502.006.159)**	**(3.493.022.934)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

32 Operating expenses

For the years ended December 31, 2018 and 2017, the operating expenses are disclosed as follows:

	December 31, 2018	December 31, 2017
Commission expenses *(Note 17)*	837.704.032	790.658.325
Commissions to the intermediaries accrued during the period (Note 17)	*914.371.048*	*805.870.258*
Changes in deferred commission expenses (Note 17)	*(76.667.016)*	*(15.211.933)*
Employee benefit expenses *(Note 33)*	239.728.958	201.226.446
Foreign exchange losses	70.480.481	26.255.159
Administration expenses	155.172.151	120.087.667
Commission income from reinsurers *(Note 10)*	(224.731.883)	(179.056.843)
Commission income from reinsurers accrued during the period (Note 10)	*(248.982.078)*	*(209.781.952)*
Change in deferred commission income (Note 10)	*24.250.195*	*30.725.109*
Advertising and marketing expenses	18.968.329	21.577.701
Outsourced benefits and services	21.559.689	20.149.187
Other	152.102.033	84.468.527
Total	**1.270.983.790**	**1.085.366.169**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

33 Employee benefit expenses

As of December 31 2018 and 2017, employee benefit expenses are disclosed as follows:

	December 31, 2018	December 31, 2017
Wages and salaries	179.381.299	151.637.041
Employer's share in social security premiums	40.460.148	32.708.900
Pension fund benefits	5.044.995	4.021.799
Other	14.842.516	12.858.706
Total *(Note 32)*	239.728.958	201.226.446

34 Financial costs

Finance costs of the period are presented in "Note 4.2 - *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the consolidated statement of income.

35 Income tax

Income tax expense in the accompanying consolidated financial statements is as follows:

	December 31, 2018	December 31, 2017
Current tax expense provision:		
Corporate tax provision	(106.996.427)	(96.767.913)
Deferred taxes:		
Origination and reversal of temporary differences	(4.635.421)	18.150.973
Total income tax expense/(income)	(111.631.848)	(78.616.940)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended December 31, 2018 and 2017 is as follows:

	2018		2017	
Profit before taxes	529.665.325	Tax rate (%)	353.095.170	Tax rate (%)
Taxes on income per statutory tax rate	116.526.372	22,00	70.619.034	20,00
Tax exempt income	(60.400.133)	(11,40)	(43.989.864)	(12,46)
Non-deductible expenses	55.505.609	10,48	51.987.770	14,72
Total tax expense recognized in consolidated profit or loss	111.631.848	21,08	78.616.940	22,27

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	2018	2017
Net profit/loss for the period	278.283.572	189.669.469
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings/losses per share (TL)	0,00422	0,00287

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a cash dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833, from 2017 activities of the Company, after the legal reserves are allocated.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under outstanding claims reserves in the accompanying consolidated financial statements.

As of December 31,2018, total amount of the claims that the Group face is TL 1.776.535.000 in gross (December 31, 2017: TL 1.485.894.000). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2018, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 455.213.000 (December 31, 2017: TL 382.130.000).

Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 4.007.764 (December 31, 2017: TL 3.678.791) related with this process.

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2018	December 31, 2017
Less than one year	8.709.571	10.841.883
Between one to five years	17.509.704	18.012.507
More than 5 years	2.189.072	3.390.162
Total of minimum rent payments	28.408.347	32.244.552

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

45 Related party transactions

For the purpose of the accompanying consolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Türkiye İş Bankası AŞ	2.056.738.212	1.189.057.352
Other	1.883	617
Banks	**2.056.740.095**	**1.189.057.969**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	376.530.484	847.273.818
Bond issued by Türkiye Sınai Kalkınma Bankası A.Ş. *(Note 11)*	52.951.656	-
Equity shares of the related parties *(Note 11)*	50.045.854	72.183.344
Bond issued by Türkiye İş Bankası *(Note 11)*	21.287.330	15.302.769
Investment funds founded by İşbank AG *(Note 11)*	13.234.978	17.439.313
Bond issued by İş Finansal Kiralama A.Ş. (Note 11)	8.759.700	
Financial assets	**522.810.002**	**952.199.244**
Türkiye İş Bankası A.Ş	426.011.481	333.801.033
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	3.539.765	4.773.567
Ziraat Sigorta A.Ş.	2.872.372	723.702
Anadolu Hayat Emeklilik A.Ş.	1.094.136	1.046.299
İstanbul Umum Sigorta A.Ş.	161.487	120.904
Allianz Sigorta AŞ	-	207.266
Ziraat Hayat ve Emeklilik	-	70.000
Ergo Sigorta A.Ş.	-	18.246
Receivables from main operations	**433.679.241**	**340.761.017**
Axa Sigorta AŞ	10.596.518	385.547
Türkiye İş Bankası AŞ	8.419.250	3.962.974
Ergo Sigorta AŞ	693.757	1.793.100
Groupama Sigorta AŞ	609.487	94.095
Allianz Sigorta AŞ	582.788	28.741
Şişecam Sigorta Aracılık Hizmetleri AŞ	407.838	554.498
Anadolu Hayat Emeklilik A.Ş.	278.417	-
Güven Sigorta TAŞ	209.260	194.916
AvivaSa Emeklilik A.Ş		46.800
İstanbul Umum Sigorta AŞ	22.993	35.023
Ziraat Hayat ve Emeklilik	18.039	-
Payables from main operations	**21.838.347**	**7.095.694**
Due to personnel	214.924	220.377
Due to shareholders	105.548	81.850
Due to subsidiaries	38.024	36.133
Due to other related parties	11.892	24.460
Due to related parties	**370.388**	**362.820**

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from/to shareholders, subsidiaries and joint ventures.

There are no guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The transactions with related parties during the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Türkiye İş Bankası A.Ş.	761.904.845	601.172.759
Ziraat Sigorta A.Ş.	18.439.443	15.697.535
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	18.305.225	17.080.389
Axa Sigorta A.Ş	8.928.768	22.769.967
Anadolu Hayat Emeklilik A.Ş.	6.255.998	1.400.834
Groupama Sigorta A.Ş	2.939.670	3.688.180
Allianz Sigorta A.Ş	355.191	903.676
Ziraat Hayat ve Emeklilik	290.000	280.000
Ergo Sigorta A.Ş	96.696	241.627
Güven Sigorta TAŞ	(222)	14
Premium received	**817.515.614**	**663.234.981**
Groupama Sigorta A.Ş	15.878	1.422
Ergo Sigorta A.Ş	7.003	630
Axa Sigorta A.Ş	6.688	719
Güven Sigorta TAŞ	2.380	259
Allianz Sigorta A.Ş.	-	27
İstanbul Umum Sigorta A.Ş.	-	14
Premiums ceded	**31.949**	**3.071**
Allianz Sigorta A.Ş.	-	-
Güven Sigorta T.A.Ş.	-	(111)
Axa Sigorta A.Ş.	(172)	(295)
Groupama Sigorta A.Ş.	(284)	(375)
Ergo Sigorta A.Ş.	(72.656)	(249.343)
Commissions received	**(73.112)**	**(250.124)**
Türkiye İş Bankası A.Ş.	75.251.737	67.160.770
Ziraat Sigorta A.Ş	4.525.564	3.936.304
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	3.573.459	3.389.113
Axa Sigorta A.Ş	1.917.506	3.045.707
Groupama Sigorta A.Ş	461.648	1.029.254
Anadolu Hayat Emeklilik A.Ş.	170.168	86.163
Allianz Sigorta A.Ş	69.543	149.046
Güven Sigorta T.A.Ş	3	1
Ergo Sigorta A.Ş	-	-
Commissions given	**85.969.628**	**78.796.358**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2018	December 31, 2017
Axa Sigorta A.Ş	24.591.209	13.029.641
Ziraat Sigorta A.Ş.	6.879.276	10.858.885
Ergo Sigorta A.Ş	4.924.629	10.377.343
Groupama Sigorta A.Ş	2.818.246	3.914.587
Allianz Sigorta A.Ş	2.318.683	1.984.185
Güven Sigorta TAŞ	461.340	1.036.209
Ziraat Hayat ve Emeklilik	456.788	169.447
Anadolu Hayat Emeklilik A.Ş.	389.733	509.224
Avivasa Emeklilik A.Ş.	-	46.800
Claims paid	**42.839.904**	**41.926.321**
Axa Sigorta A.Ş.	197.781	66.253
Groupama Sigorta A.Ş	164.940	83.682
Güven Sigorta T.A.Ş	163.000	51.508
İstanbul Umum Sigorta A.Ş	65.852	18.462
Allianz Sigorta A.Ş	48.908	14.896
Ergo Sigorta A.Ş	42.109	61.945
Reinsurance's share of claims paid	**682.590**	**296.746**
Axa Sigorta A.Ş	1.394.118	491.232
Ziraat Sigorta A.Ş.	258.981	90.046
Anadolu Hayat Emeklilik A.Ş.	222.777	189.576
Allianz Sigorta A.Ş	136.561	31.477
Groupama Sigorta A.Ş	48.543	23.922
Ergo Sigorta A.Ş	21.262	10.941
Güven Sigorta T.A.Ş	6.405	259.537
İstanbul Umum Sigorta A.Ş	2.520	721
Other income	**2.091.167**	**1.097.452**
İş Merkezleri Yönetim ve İşletim A.Ş. - office service costs	5.900.277	5.418.690
Ergo Sigorta A.Ş	641.708	192.974
Axa Sigorta A.Ş	302.204	62.251
İş Portföy Yönetimi - management commission	220.355	293.093
Allianz Sigorta A.Ş	80.431	124.008
Groupama Sigorta A.Ş	54.044	21.223
Güven Sigorta A.Ş	25.177	-
İstanbul Umum Sigorta A.Ş	11.744	6.789
Anadolu Hayat Emeklilik A.Ş.	2.001	242
Ziraat Sigorta A.Ş.	1.126	8.636
Yatırım Finansman Menkul Değerler A.Ş. - management commission	-	122.317
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı- rent expense	-	3.381.423
Other expenses	**7.239.067**	**9.631.646**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events.*

Millî Reasürans Türk Anonim Şirketi
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

Information about the other technical expenses in the income statement

The amounting to TL 139.447.460 (31 December 2017: TL 114.260.932) which is the part of other technical expenses in the income statement of amounting to TL 145.297.383 (31 December 2017: TL 118.611.498) is the assistance services, postponement of these amounts and their technical expenses.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

As of and for the year ended December 31, 2018 and 2017, details of discount and provision expenses are as follows:

	December 31, 2018	December 31, 2017
Provision expense for doubtful receivables *(Note 4.2)*	(78.512.916)	(39.065.548)
Provision for pension fund deficits *(Note 23)*	(5.401.697)	(9.650.003)
Provision expense for employee termination benefits *(Note 23)*	(2.688.940)	(2.153.101)
Provision expenses for unused vacation *(Note 23)*	(520.275)	(316.958)
Provision expenses for tax assessments *(Note 42)*	(5.158.898)	(297.137)
Impairment loss on financial assets	(356.186)	(99.299)
Terminated provision income/ (expense)	8.425.669	7.740.675
Other provision expenses *(Note 4.2)*	(7.385)	3.172
Provision expenses	(84.220.628)	(43.838.199)

	December 31, 2018	December 31, 2017
Rediscount income/ (expense) from main operations receivables	33.824.128	16.755.100
Rediscount income/ (expense) from main operations payables	(44.229.349)	(28.929.888)
Total of rediscounts	(10.405.221)	(12.174.788)

CONTACT INFORMATION

Millî Reasürans T.A.Ş.
Harbiye Mahallesi Maçka Caddesi No: 35
34367 Şişli - İstanbul

Phone (0212) 231 47 30
Fax (0212) 230 86 08
E-mail info@millire.com
millire@millire.com

www.millire.com

Singapore Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Phone +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.millire.com

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